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31 JULY 1990



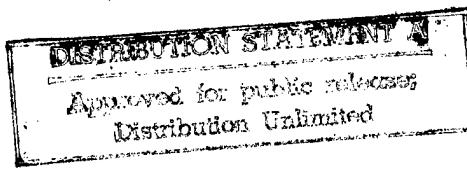
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CONTENTS

31 JULY 1990

INTERNATIONAL

GENERAL

Beijing Asian Games Seen as Symbol of Progress [BAN YUE TAN No 6] 1

ECONOMIC

NATIONAL AFFAIRS, POLICY

1989 Price Controls, Reform Checked Inflation [JIAGE LILUN YU SHIJIAN No 3] 3
Control of Extrabudgetary Investment Suggested [GAIGE No 2] 7
Combined Planned Economy, Market Regulation Discussed [CAIJING YANJIU No 3] 15
Elimination of Dual-Track System in Capital Goods Advocated [GAIGE No 2] 18
Experts View Domestic Market Prospects [CEI Database] 22
Regional Economic Cooperation Expands [XINHUA] 23
Statistical Bureau Releases May Economic Statistics [XINHUA] 23
January-May Major Economic Indicators [XINHUA] 24
Role of Loans in Structural Readjustment [JINGJI RIBAO 22 Jun] 25

PROVINCIAL

Fixed Asset Investment Drops in Shanghai [Shanghai Radio] 27

SMALL-SCALE ENTERPRISES

Private Enterprises Masquerade as Collectives [JINGJI RIBAO 24 May] 27

FOREIGN TRADE, INVESTMENT

New Exchange Rate Prompts Commodity Price Rules [JIAGE LILUN YU SHIJIAN No 3] 30
Exports of Nuclear Industry Products Rise [XINHUA] 30
Hebei Welcomes Foreign, Taiwan Investors [XINHUA] 31
Sichuan Seeks To Expand Exports
[Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) 12 Jul] 31

PUBLICATIONS

JINGJI XIAOXI Changes Name, Format [JINGJI XIAOXI 4 Jul] 32

AGRICULTURE

Planned Management Needed in Cotton Industry [JINGJI RIBAO 14 Jun] 32
Insect-Resistant Gene Bred Into Cotton Plant [XINHUA] 33
Dairy Production Falls in Shanxi [SHANXI RIBAO 2 Jun] 33

SOCIAL

Nature, Causes of Corruption Outlined [FAXUE YANJIU No 2] 35
Jurist on Need for Promulgation of Copyright Law [XINHUA] 36

MILITARY, PUBLIC SECURITY

Beida Freshmen Complete Military Training [XINHUA] 38
First Naval Ocean Navigation Trip [JIANCHUAN ZHISHI No 3] 38

New Tactical Bombing Simulator Operational	<i>[KEJI RIBAO 24 May]</i>	41
Navy Aviation Regiment Improves Training Methods	<i>[JIEFANGJUN BAO 3 Jun]</i>	41
War History of 2d Field Army Ready for Publication	<i>[XINHUA]</i>	42
REGIONAL		
NORTH REGION		
1990 Hebei Economic, Social Development Plan	<i>[HEBEI RIBAO 28 Apr]</i>	43
NORTHEAST REGION		
CPC Journal Expounds Daqing Spirit	<i>[FENDOU No 5]</i>	59
NORTHWEST REGION		
Mediators Handle Crime, Social Problems in Xinjiang	<i>[XINJIANG RIBAO 2 May]</i>	63
Law Must Prevail Over Power in Contract Purchases	<i>[XINJIANG RIBAO 2 May]</i>	64
Xinjiang Public Security Responds to Complaints	<i>[XINJIANG RIBAO 2 May]</i>	65
PRC MEDIA ON TAIWAN AFFAIRS		
Group Formed To Facilitate Jiangsu-Taiwan Contacts	<i>[Nanjing Radio]</i>	66
TAIWAN		
Finance Minister Outlines Two-Year Reform Plan	<i>[CHING CHI JIH PAO 3 Jun]</i>	67
HONG KONG, MACAO		
Basic Law Delimits 'One Country, Two Systems'	<i>[LIAOWANG OVERSEAS EDITION No 16]</i>	69
Impact of 1991 Direct Election on District Politics	<i>[MING PAO 9 May]</i>	71
Confusion, Helplessness Mark Residents' Feelings	<i>[MING PAO 2 May]</i>	72
Mainland Reduces Stake in Airport Project	<i>[SOUTH CHINA MORNING POST (BUSINESS POST) 28 Jun]</i>	74
PRC Wants Control of Airport Contracts	<i>[SOUTH CHINA MORNING POST (BUSINESS POST) 3 Jul]</i>	74

GENERAL

Beijing Asian Games Seen as Symbol of Progress

90CM0200A Beijing BAN YUE TAN
[SEMIMONTHLY TALKS] in Chinese No 6,
25 Mar 90 pp 8-10

[Article by Kong Shiping (1313 0013 1627): "The Asian Games Lead a Surge to Chinese Patriotism"]

[Text] While the lighting of the torch of the Beijing Asian Games is still more than five months away, it has already given rise to a surging heat wave in the hearts of China's young boys and girls.

People cannot forget that 150 years before the curtain goes up on this distinguished gathering of athletes, the imperialist powers used guns to force open China's door, flagrantly starting the Opium War.

From a country which was subjected to endless bullying and intimidation, and which was a semi-colonial, semi-feudal society likened to a "sheet of loose sand," to the new China that walks the socialist road; from the "sick man of East Asia," subjected to enslavement and discrimination, to a Chinese people standing erect, with self-esteem... These 150 springs and autumns are in no way merely a concept of time. Rather they embody the posterity of thousands upon thousands of lives and blood and toil expended on rejuvenating China, and are a record of the historical achievements of the Chinese people in going from victory to victory under the leadership of the Chinese Communist Party.

Over the last 150 years, many people have worked indefatigably to energetically promote China's physical education, although in the old China, where devastation was everywhere, this was futile. Personal experience made them realize one principle: the ups and downs of physical education and a country's destiny are closely linked.

Mou Zuoyun [3664 0155 0061], who led the Chinese contingent that participated in the 11th Olympic Games held in Poland in 1936 recalls, "At that time, because the country's fortunes were declining and the Kuomintang government was corrupt and incompetent, not only did China suffer a crushing defeat in the competition, but they did not even have the travel expenses for returning home..." Now, watching as the Asian Games fast approach, the old man could not help but have all sorts of feeling welling up inside. "The motherland is on the rise, and capable of handling such a large international athletic meet. My dreams of 50 years ago are coming true!"

Though there are few who have the unique personal experience of a Mou Zuoyun, the feelings coming from within him are the heartfelt desires of each and every one of the Chinese people. More and more Chinese are realizing that China will be putting on the Asian Games, and that it is not merely a great review of sports, but is

also a review of China's national power and national strength, and a review of the spirit and style of the Chinese nation.

Consequently, the call that "every man has a share of responsibility for the fate of his country" also reverberates in the air over China, and small and large activities to "welcome the Asian Games and make a contribution" are gradually unfolding.

Three years ago, after 12-year-old Yan Haixia [7346 3189 7209], a student at Huzhong Elementary School in Jiangsu Province, learned from a newspaper that China would be putting on the Asian games, he took 1.6 yuan of surplus New Year's money and sent it to Beijing deputy mayor and Asian Games Organizing Committee deputy chairman Zhang Baifa [1728 4102 4099]. The response letter sent to Yan Haixia by the Organizing Committee's Fund Raising Department said, "Although the money you sent was small in amount, it was very large in meaning, as it manifested the spirit and style of a young generation's ardent love of their motherland."

Well-known Hong Kong singer Zhang Mingmin [1728 2494 2404], conducted a 6 month tour of the country to support the Asian Games; he took in 600,000 yuan, which he contributed to the games, paying tribute to the sincerity of his Chinese patriotism.

In Jiangsu's Liyang County, a person under criminal detention sent a letter to the Asian Games Organizing Committee which said, "I hereby offer 50 yuan that I have accumulated through frugal living, in order to make up for my deficiencies."

A contribution letter from teachers and students at the First Middle School of the Fourth Agriculture Institute in Xinjiang's Yili City stated, "China is a large country, and if it were incapable of holding the Asian Games, this would damage China's national dignity, something that could not be endured by the Chinese people. We would rather eat a little less food, wear a little less clothing, and wish to do a good job handling the Asian Games!"

Working members of the Asian Games Organizing Committee state, "We have been deeply moved by each of the ebullient letters that arrive and by each of the money orders [sent with] full affection. The Asian Games are overflowing in the hearts of people all over the country, and this is not only a consciousness of athletics, but is more importantly patriotic sentiment."

These sentiments are clearly even stronger among the people of Beijing. Those staff and workers engaged in "service trades" such as communication, commerce, restaurants, and tourism have already been aroused and they are taking on the attitude of hosts of the Asian Games, wishing to use their own high-quality service to display the new spirit and style of the Beijing people and the Chinese people to Asia and the world.

This year spring came especially early and rapidly to Beijing. Tree planting, flower tending and grass growing

have been affecting ever greater numbers of the capital's residents. Everyone cherishes the same conviction that adding new color to the capital for the Asian Games will allow China's overseas friends to experience the beauty and delight of their motherland.

Builders and technical personnel who directly or indirectly render service to the Asian Games have even more reason to feel proud of their sincere patriotism. They have created competition fields and halls one after another, and they have done it quickly, with high quality, so that friends from all the competing countries take note of the intelligence, ambition, and abilities of the Chinese people. They have established a stimulant inspection center, which only a few nations at present possess, as well as a world-class relay center, and have developed and produced more than 100 types of competition equipment and facilities. To the amazement of the whole world, the Chinese people are not at all ordinary, they are extraordinary!

The Asian Games are giving rise to a surge of Chinese patriotism, and attracting the attention of the people of Asia and the whole world.

If the Asian games are to be held as scheduled in a capital which has just returned to normal following the turmoil and counterrevolutionary rebellion that occurred last spring and early summer, will there not be people with doubts, people who vainly attempt to boycott the games? Nowadays, the facts make the best response.

Asian Olympic Council chairman Fa Hede [3127 6378 1795] has personally visited Beijing to make an inspection, and was full of praise for the preparatory work being done for the games. He believed that the preparatory work was being handled very well, and indicated he will make use of a variety of opportunities to provide publicity concerning Beijing's Asian Games to the outside world.

Without exception, all 39 of Asia's Olympic Council member countries and regions welcome Beijing's hosting of the Asian Games and its close attention to preparations, and will use various methods to display this, including sending delegations to participate. The Beijing Asian Games will undoubtedly be the most magnificent of the Asian Games.

The International Olympic Committee has been pleasantly surprised by the smooth conduct of preparatory activities for the Beijing Asian Games, and the decision that chairman Samaranch will attend the magnificent Asian meet [means] there is hope that China will be able to handle the Olympic Games in the year 2000. This is because they are looking to the future and are full of confidence concerning China's development.

In South Korea, Japan, Taiwan, Pakistan, Saudi Arabia, and numerous other countries and regions, heartfelt desires to "go to China" and "go to the Beijing Asian Games village" are being deliberated and acted out, and the idea that "China is hot" is slowly on the rise. In September, before the curtain goes up on the Beijing Asian Games, an estimated 200,000 overseas guests will arrive. Our capital has never hosted guests from so many countries and regions.

International opinion on the significance of this is unequivocal, as represented by a commentary in Japan's ASAHI SHIMBUN which stated, "This will be the first time that the torch of "friendship and peace" has been lit in Beijing in the 40 years since the establishment of the PRC. This is a country of 1.1 billion people, which will use the Beijing Asian Games as a chance to take a turn for the better, and leap forward in the 1990's. The eyes of the whole world will be on Beijing and a new chapter in Beijing's history will be opened."

This surely is not cheap flattery.

In fact, it is sufficient to dispel our friends misgivings about Beijing with an eloquent public declaration: Though there are some who would wish otherwise, China's steps in advancing towards its set objectives cannot be resisted or obstructed.

The Beijing Asian Games are perhaps only a small event in the arena of reform and opening and the four modernizations, with the main drama and climax still to come.

Though the Beijing Asian Games still have many matters that must be worked out, and there is still a need to work ceaselessly and unremittingly, we cannot let up the slightest bit. From the upsurge of Chinese aspirations it is generating, is it not possible to hear the overture of a magnificent historical opera being performed on the mother earth of the divine land?

NATIONAL AFFAIRS, POLICY

1989 Price Controls, Reform Checked Inflation

90CE0191A *Tianjin JIAGE LILUN YU SHIJIAN* [PRICE: THEORY AND PRACTICE] in Chinese No 3, 20 Mar 90 pp 33-37

[Article by Zhu Min (2612 3046): "Review of Price Conditions in 1989: The Control and Overhaul Program Achieved Initial Success, and Progress Was Made in the Effort To Advance Reform"]

[Text] In 1989 China achieved initial success in its efforts to control and overhaul the national economy and to advance reform. The macroeconomic climate, as it relates to prices, improved; a good harvest was achieved in agriculture; the excessive growth of industry slowed; investment and consumption demand was checked; and the gap between social supply and demand narrowed. During the year, 21 billion yuan was issued, 19 billion less than planned, and 47 billion less than the previous year. At the end of the year, there was 234.4 billion yuan in circulation, a rise of 9.8 percent over the previous year, the lowest annual growth rate posted since 1979. Meanwhile, urban and rural savings mushroomed, by 133.4 billion yuan, a record high. Market conditions gradually stabilized, and, indeed, sales of some commodities slumped. These facts indicate that the first steps have been achieved toward bringing inflation under control.

Price changes during 1989 were in line with growth across the economy. Overall, price rises gradually lost steam, and prices for some commodities even fell back.

This shows that the effort to control and overhaul prices has begun to yield results, that the effort to advance price reform has made some headway, and that all price work has reached a new stage.

Good results were registered in price control during the year. Addressing the explosion in prices that occurred at the time, the Third Plenum of the 13th Central Committee, which convened in September 1988, clearly stipulated that the rise in 1989 had to be markedly lower than that of 1988. The continued sharp rise during the last four months of 1988 had a considerable spillover effect on, a fact that made price control work during, 1989 more difficult. Even so, the following changes were achieved due to the joint efforts of all quarters: (1) the national retail price index climbed 17.8 percent, slightly lower than the rate of 18.5 percent posted in 1988; (2) the retail price index for 35 large and medium cities climbed 18.6 percent, markedly lower than the 1988 rate, 22.1 percent; (3) the basic cost of living for workers and staff rose 13.9 percent, much less than the 1988 rate, 22 percent; (4) nationally, retail prices for nonstaple foods climbed 14.3 percent, markedly lower than the 30.4 percent rise posted in 1988; (5) within the rise in the national retail price index, new rises accounted for 6.4 percentage points, much lower than the 15.9 points posted in 1988. These facts show that price control work during 1989 basically achieved its objectives.

The national retail price index showed the following changes during the year.

Timewise, comparison of the price levels of each month to their respective year-ago levels reveals that the rate of increase steadily declined.

1989 Price Increases, By Month

Month	January	February	March	April	May	June	July	August	September	October	November	December
Rate of Increase	27.0	27.9	26.3	25.8	24.3	21.5	19.0	15.2	11.4	8.7	7.1	6.4

Month by month, the rise gradually eased during the first five months of the year and slightly declined during each of the last seven months of the year, in marked contrast to the rectilinear rise in the monthly retail price index recorded in 1988. This development is consistent with the expected effects of the first stage of the retrenchment program.

Actually, the rise in rural retail prices, 18.8 percent, exceeded its urban counterpart, 16.0 percent, by 2.8 percentage points, the first time this occurred since 1984. By contrast, in previous years the urban rise had exceeded the rural one—by 5.2 points in 1985, 2 in 1986, 2.8 in 1987, and 4.2 in 1988. The turnaround in the comparative urban-rural rates between 1988 and 1989 was equivalent to a seven point greater rise in rural prices than in urban ones, a development that bears an

important relationship to the facts that rural price control forces are weak and that supply of important commodities in the countryside is not subsidized as much by the government as in the cities. As for regional differences, gaps remained considerable. Guangxi, Fujian, and 13 other provinces and autonomous regions registered price rises exceeding the national average, whereas 13 provinces, municipalities, and autonomous regions posted rises that were lower than the national average. The lowest rate was registered by Heilongjiang, 14 percent, while the highest was posted by Hainan, 26.8 percent, a difference of nearly one-fold. This state of affairs is related both to regional difference in the share of commodities whose prices have been decontrolled and to the degree of emphasis on price control and the vigor of the measures adopted by regional governments.

In terms of commodity types, the rise in prices for industrial consumer goods topped that for foodstuffs for the first time since 1980, with the latter being 16.2 percent and the former (as represented by apparel and daily necessities) 16.7 percent, a difference of 0.5 percentage points. From 1981 to 1988 the rise in food prices exceeded that for industrial good by 3.3, 3.6, 3.4, 2.5, 2.6, 2.8, and 5.3 points, respectively. This development bears an important relationship to the fact that governments at all levels have consistently stressed "grain sack" work; progressively strengthened "vegetable garden," "vegetable basket," and "vegetable vendor" work; and striven to control food price rises. Meanwhile, the share of industrial consumer goods whose prices have been decontrolled has steadily grown, price management and control of undecontrolled-good prices has weakened commensurately; and prices of raw materials have increased more [than those of foodstuffs], [so] the price rises for clothing and commodities for daily use finally exceeded those of foodstuffs.

Structurally, the 1989 rise in prices resulted largely from spillover from the previous year, and the contribution of new rises was not great, in marked contrast to the situation in 1988, in which new rises accounted for 86 percent of the year's 18.5 percent rise in the national retail price index, while previous-year spillover contributed only 14 percent. Of 1989's 17.8 percent rise in prices, new rises accounted for only 36 percent, whereas 1988 spillover contributed 64 percent, a rate that was unparalleled over the past decade. This development is closely related to the fact that the 68 billion yuan in money issued in and the 46.8 percent rise in the amount of money in circulation during 1988 exerted a severe delayed impact on 1989.

Generally speaking, price control work finally achieved gratifying success during 1989 due to the facts that the CPC Central Committee's guiding principles were explicit; the State Council consistently stressed leadership and planning work; governments at all levels placed great emphasis on the work, were conscientious, and organized relevant agencies to effect systematized and comprehensive control; price departments worked long and hard; everyone worked together practically and effectively; and the understanding and support of the broad masses were achieved.

While working strictly to control prices, we have also seized every opportunity to carry out, with proper leadership and in a step-by-step fashion, price reforms and overhauls and have resolved a number of pressing price and fee problems. During 1989 the following major price readjustment measures were decided or approved by the State Council and adopted throughout the country.

1. Agricultural Prices

To promote development of grain and oil-bearing crop production, we appropriately hiked procurement prices for some of these produce. Contract prices for each 50 kg of grain procured were increased by 1 yuan for corn, 1.5

yuan for wheat, 5 yuan for *indica* rice, and 6 yuan for *japonica* rice. Prices for each 50 kg of oil procured were hiked by 10 yuan for rapeseed and sunflower seed oil, 11.4 yuan for peanut oil, 17 yuan for cottonseed oil, 11.7 percent for teased oil, and 12.7 yuan for sesame oil (fine grind). Prices for oil-bearing crops were adjusted in accordance with the hikes in oil prices, and the readjustments in grain and oil prices were implemented beginning 1 April. Prices of most grain and oil sold back to the countryside were readjusted according to previous arrangements beginning 1 July. The amounts of chemical fertilizer supplied in return for contract grain sales were appropriately increased. The standard amount supplied in return for each 50 kg of grain sold was 15 kg for trade grain, husked rice, and soybeans and 10 kg for wheat and corn. Prices for such fertilizer remained the same as the previous year's.

To promote cotton production, we established a unified production support allotment and provided extraprice subsidies. Following the 1989 readjustment, procurement prices for standard ginned cotton were hiked from 176.2 to 211.42 yuan per 50 kg, and prices for cotton supplied to producer counties increased from 172 to 202 yuan. The hikes were absorbed by factories in the case of cotton used in industry and were commensurately passed on to consumers in the case of wadding cotton. These measures were decided before the year began. In February the State Council again hiked cotton procurement prices, increasing the rates for standard ginned cotton from 211.42 to 236.42 yuan per 50 kg and the rate for long staple Xinjiang cotton by 90 yuan per 50 kg, on the basis of the "reverse three-seven ratio" employed in 1988. The retail price for grade three teased wadding cotton in the capitals of producing provinces was increased to 6.7 yuan from 5 yuan a kg and did not exceed 7 yuan in other provincial capitals.

Guidance prices for procurement of live pigs were issued. In most areas, these rates were computed in accordance with negotiated procurement price employed by local grain departments, and the price ratio between pigs and grain was maintained at about 1:5.5. Retail prices for rationed pork in large and medium cities were ordered resolutely stabilized and were not permitted to rise.

Guidance prices for tea procurement were issued. General levels were not to change, while the price for uncrushed green tea were appropriately reduced, the prices for uncrushed and crushed black tea were appropriately increased, and the procurement prices for leaves used to produce pressed tea were increased and the retail prices therefor were readjusted accordingly.

Ceilings for silkworm cocoon procurement prices were improved. Medium grade cocoons produced by the mulberry silkworm were set at a uniform rate of 480 yuan per 50 kg, while the prices of castor worm cocoons, which had been decontrolled, were returned to provincial and autonomous region control.

Guidance prices for the procurement of roundpod jute and bluish dogbane were set. The rate for grade two jute was fixed at 70 yuan per 50 kg and permitted to float, but by no more than 5 yuan in the upward direction.

National guidance prices were effected for procurement of pine resin, with each 50 kg not to exceed 55 yuan. Uniform ceilings for producer prices for rosin were implemented—2,100 yuan per ton.

Guidance prices were implemented for the procurement of apples, and it was stipulated that there should be no new rises therein during 1989, and that the excessively high prices of the previous year had to be brought back down. Peak season procurement prices for Xiaoguoguang apples (grade one) were maintained at around 60 fen per 500 grams, with the highest price not to exceed 70 fen.

Procurement prices for prawn were established, with the harbor rates for (freshly caught) autumn flood prawn from the Yellow Sea and the Bohai fixed at 19 yuan per 500 grams. To prevent procurement prices of pond-raised prawn from floating too far downward, the state issued an emergency notice ordering that these prices be maintained at levels above production costs, or about 8 yuan per 500 grams. Control of prices of fish caught in winter tide areas was strengthened, with procurement prices set at levels slightly lower than the previous year's actual transaction rates.

A control-overhaul program was established for cashmere, rabbit fur, and 16 other export commodities prone to procurement scramble. We established national procurement ceilings for each of these commodities or organized the major producer provinces to coordinate their procurement rates. For example, the procurement ceiling for crude peppermint oil was set at 60 yuan per kg.

In July 1989 we abolished, in accordance with the "Decisions of the CPC Central Committee and the State Council Concerning Matters about Which the Masses Are Very Concerned," the small number of "special supplies" for leading comrades. All foods sold by designated supply outlets are now sold at market prices and in the same rationed amounts supplied to residents generally.

2. Industrial Consumer Good Prices

The prices of all newspapers across the country were readjusted beginning 1 January 1989. The price of RENMIN RIBAO (eight folio pages) was increased from 10 to 20 fen, while the rates for minor and specialized journals were decontrolled and left to their publishers to determine. Beginning 1 February the ex-factory prices of newsprint were increased, with that of No 2, 51-gram web rising from 1,600 to 2,000 yuan a ton.

Beginning 1 February a monopoly was established for television sales and a special consumption tax (600 yuan per set for televisions 14 inches or larger, 400 yuan for

smaller sets) and a levy (100 yuan for 14 and 16 inch sets and 300 yuan for sets 18 inches or larger) to generate a fund for the domestication of television production were imposed.

Beginning 10 March localities, in accordance with guidelines established by the state, allowed retail prices for 13 name-brand tobacco products and 13 name-brand alcoholic products to float downward by 10-15 and 10-20 percent, respectively.

To remedy the prolonged low price of salt, promote growth in the production and unobstructed circulation of salt, and meet the needs of national economic development and of the masses, salt prices were hiked across the country beginning 25 November. Boosts in producer (saltarn) prices for crude salt and the surcharge to generate funds for the development of salt production increased prices by 70 yuan a ton. In Beijing, Tianjin, Shanghai, capitals of provinces and autonomous regions, and cities with provincial-level economic decisionmaking authority, the retail price of table salt rose by an average of 8 fen per 500 g, and prices for vacuum-packed granulated well salt rose by an average of 11 fen per 500 g.

Cotton textile prices were overhauled twice during the year. The first restructuring occurred before the end of April, when a national order was issued permitting the prices of cotton yarn to float upward but not by more than 32 percent, of gray cloth to float up to 34 percent, of printed and dyed cloth to float up to 36 percent, of plain white cloth sold on the market to float up to 40 percent, and of yarn-dyed fabrics and cotton knits to float up 45 percent above their respective unified prices set by the state 20 January 1983. A second overhaul was effected during December, when the ex-factory price of 21-count pure cotton-tube yarn was set at 9,000 yuan a ton. New ex-factory and domestic prices were implemented beginning 22 December, with new prices established for new products or product numbers, and old prices retained for old products.

We also overhauled, in a unified, national fashion, prices for aluminum and iron pots, thermoses, and knitting wool, which are industrial consumer goods. The standards for the restructuring were as follows. Aluminum product prices were set according to production costs, computed according to the price of aluminum ingots, which was not to exceed 10,000 yuan a ton. Retail sales prices for 5-pound decorated metal-cased thermoses were not to exceed 13 yuan in producer localities and for medium-count, pure-wool knitting yarn were not to exceed 45 yuan per 500 g. In addition, localities were ordered to overhaul prices for iron pots according to local conditions.

In December we also adjusted the prices of some medical and medicinal commodities. Among those raised were prices for hemostatic forceps and streptomycin sulfate; those lowered included lincomycin and cephazolin. We

also readjusted the producer and sales prices of rubber-soled and casual shoes and hiked prices for cigarette paper, single sided printing paper, double-filmed paper, and capacitor paper, and other paper products.

3. Prices for Industrial Means of Production, Communications, and Transport

To support the development of the petroleum industry, we hiked domestic parity producer prices for crude oil by 27 yuan a ton beginning 1 January. High-priced crude prices were not changed.

We expanded the scope of the pilot program to price coal used to generate power according to the amount of heat produced. Coal produced above quota for users designated by the state was granted a premium of 70-100 yuan above the state rates for in-plan output of similar products and specifications. Railway departments shipping such coal were granted a 10 yuan subsidy for each ton transported. Electric power departments were permitted to pass the increased costs resulting from the use of such coal for in-plan production on to consumers.

On 1 February the state ordered that the rate schedule for rail-shipped coal be increased from five to seven, that surcharges for supraquota coal transport be abolished, and that one fee be employed for both quoted and extraquota shipment. The fee schedule for coastal and inland coal transport by ship fleets directly subordinate to the Ministry of Communications was increased from one to three, and all surcharges for water-shipped coal were abolished.

To cover the cost of the additional high-priced crude burned by the Northeast power grid, the grid was permitted to levy a surcharge of 0.1 fen per kWh on the parity rate for electricity supplied according to unified plan. It was also ordered that a surcharge of 4.03 fen be levied for each kWh to defray coal shipment surcharges. In Beijing, Tianjin, and Hebei the surcharge was 3.06 fen, and for the East China grid it was 4.15-4.35 fen.

To do something about the prolonged low ticket prices and losses suffered by railroads, water transport, and CAAC; increase communications and transport capacity; meet the needs associated with national economic development; and ameliorate the contradiction between purchasing and getting aboard conveyances, the State Council decided to raise rail, ship, and CAAC ticket prices—rail prices by an average of 112 percent, ship prices by an average of 96 percent, and air prices by an average of 77 percent. Local rail, ship, and air ticket prices were also hiked accordingly. These hikes were implemented across the nation in a unified manner beginning 5 September. Boosts in long-distance bus ticket prices were initiated piecemeal by various localities during the fourth quarter, with the national average held to about 60 percent.

A two-tiered price schedule for the Nanjing-Shanghai Railway was also established, with a surcharge of 25 percent for better-class accommodations. For tourist

train tickets, the principle of higher prices for better accommodations was established, with an upward float range not to exceed 50 percent permitted for the peak season.

New national price ceilings were issued for extraplan production of ferrous and nonferrous metals beginning 15 April, and beginning 10 October efforts were made to improve the ceilings by increasing the number of products subject to and by readjusting the ceilings. For ferrous metals, the overall surcharge averaged about 200 yuan a ton, while the ceilings for nonferrous metals were similarly boosted. Firm implementation of these policies was ordered.

Since salt prices were hiked, we raised centrally set producer prices for sodium chemicals and other related products beginning 25 December. At the same time, we also implemented ceilings for soda ash, caustic soda, and other important sodium products produced and marketed extraplan. Principles were also established for price readjustment for sodium and related goods produced under local control.

4. Prices of Goods and Services Involved in External Trade

To increase effective supply and advance restructuring of foreign trade administration, we effected, beginning 1 January, external-trade agent pricing for 17 commodities imported and paid for in foreign exchange according to central plan: black sheet, band steel, tinned plate, aluminum, pig iron, wood, plywood, cocoa, glycerin, butyl alcohol, octyl alcohol, pure naphthalene, titanium dioxide, sulfur, *o*-nitrochlorobenzene, xylene, and rubber. In addition, the allocation price for in-plan imports of wood pulp was hiked beginning 1 June.

During the second half of the year, 10-20 percent discounts were offered for foreign travel in China.

To rectify the overvaluation of China's currency, promote growth in production and external economic and trade ties, and encourage exports and restrict imports, we reduced, beginning 16 December, the exchange rate for the renminbi by 21.2 percent and raised the rate for other currencies correspondingly. After readjustment, the renminbi-dollar exchange rate was as follows: The buyback rate changed from 3.7128 to 4.713 yuan per dollar, and the sales rate rose from 3.7214 to 4.7339.

In addition, localities appropriately resolved, with the approval of the State Council, a number of serious good and service price problems plaguing production and marketing.

On the whole, the price readjustments and overhauls effected during 1989 did not rock markets or consumers because they were properly timed, publicized, and explained and because the chain-reaction effect was strictly controlled. Thus the readjustments and overhauls ought to be termed successful for the most part.

Implementation of these measures facilitated strengthening of basic industry, output restructuring, increase in effective supply, unimpeded commodity circulation, and readjustment of market supply; as well, demand was in line with the effort to effect retrenchment, and to advance reform of the national economy. This promoted stability in and coordinated development of the economy.

In 1989 price agencies at all levels also registered considerable progress in price monitoring and inspection, information exchange, planning, theoretical research, and the development of honest government. All of this has advanced price work to a new stage so as to ring in the 1990's—a task that will be even more arduous yet which will brim with hope.

Control of Extrabudgetary Investment Suggested
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[Article by the Investment Research Group of the State Planning Commission: "Steps To Enhance Macrocontrol of Extrabudgetary Investment"]

[Text] One of the most striking changes that has taken place in China's fixed asset investments in the ten years of reform and opening to the outside world is that the proportion of investments directly provided for in the state financial budget to total investments greatly decreased. It decreased from approximately 33 percent in 1980 to approximately 8 percent in 1988. Various types of independently-raised funds, domestic bank loans, and foreign investments have become the principal channels of investment funds. This new investment pattern has played an extremely important role in promoting ten years of growth in the national economy and various social undertakings, as well as improvements in the standard of living. At the same time, during the entire ten years of development there has been an expansion of the scope and imbalance in the structure of investments, and decreased investment results, greatly affecting economic stability. An important element has been the rather large proportion of extrabudgetary investment to total investments and [the fact that we] still have not established an effective macrocontrol system. Therefore, it is very important that we study and resolve this issue if we are to accomplish economic improvement and rectification and find a radical cure for the chronic investment malady.

I. The Scope of Extrabudgetary Investment

Extrabudgetary investment in its original meaning indicated investments arranged by various local governments, departments, and units from their own revenues and expenditures and funds that they themselves managed. Extrabudgetary investment also was often used in a narrower sense; the first such usage referred only to investments by units owned by the whole people and excluding investments by units not owned by the whole

people. The second usage referred only to financial investments broken off from the original state budget, and did not include investments from other sources such as credit funds. However, in China's actual practice and in theoretical research, investments from all other funding channels (with the exception of investments in the state budget) are sometimes generally called extrabudgetary investment. This is also the broad meaning of extrabudgetary investment. We think that the narrow meaning of extrabudgetary investment, limited only to units owned by the whole people, narrows the scope too much and does not fit the pattern of investment of the multisector economy developed since reform. Actually, collective and individual investments make up a very large proportion of total investments. In 1989 the proportion approached 40 percent and it is growing very rapidly. They are also exerting an growing influence on the development of the entire national economy. With regard to bank loan investments and foreign investment utilization, for the last ten years straight they have experienced a fairly rapid growth and make up a considerable portion of total investments. While the positive role they have played in China's economic development must be fully recognized, there also are some problems that cannot be overlooked. Because there are a rather large number of peculiarities in the way these two types of investment are carried out and because the way they are managed is closely related to the entire financial and foreign investment systems, we can conduct an special independent study. Therefore, the extrabudgetary investment studied in this report will mainly include investments arranged by units owned by the whole people using extrabudgetary funds as well as investments from various channels by collective units and individuals. In 1988 this sector of extrabudgetary investment made up over 60 percent of total investments.

We must make it clear that because various local, departmental, enterprise (including those owned by the whole people and collectives), and individual extrabudgetary investments are often closely linked to bank loan investments, when studying measures to manage extrabudgetary investments it is also necessary to study the management of bank loan investments, if not directly, [at least] in a general way. Moreover, in China's actual management procedures, when some funds, such as funds for extra local use of energy and transportation, which by nature belong in the budget or are derived from the budget, are used as fixed asset investments, they also act as one source for independently-raised investments. Our study will also include these investments.

II. The Current Extrabudgetary Investment Situation

In studying measures to manage extrabudgetary investment, we must start from the actual situation in the last ten years and make a comprehensive analysis of the sources, growth, orientation, and performance of extrabudgetary investments, and the regular patterns of

change and development, and then make a comparatively objective evaluation. From this [we can] accurately understand existing problems and propose effective measures to manage extrabudgetary investment in accordance with the overall direction of the socialist commodity economy, which organically integrates planned and market economies and which suits China's condition. Yet there are a number of difficulties in conducting this type of analysis and evaluation, especially the lack of a set of basic data. In addition, there is the very large discrepancy in the statistical starting point for investments by [units] owned by the whole people, collectives, and individuals. (For [units] owned by the whole people, capital goods valued at 50,000 yuan and above constitute fixed asset investments; for collectives it is 200 yuan and above; and for individuals it is 30 yuan and above.) [This] lack of comparability makes it difficult for us to use quantitative analysis methods to completely and accurately reflect the amount and direction of circulation of extrabudgetary investments and their influence on each period of economic development. [We will] only be able to base [our analysis] on judgments and descriptions of overall trends.

1. Total Volume: Growth Is Too Rapid, to the Point of Being Expansionary

Beginning in the early 1980's, along with reform of the financial and enterprise management systems and the development of the multisector economy, the total volume of extrabudgetary funds constantly expanded and the corresponding use [of these funds] in the total volume of fixed asset investments also grew rapidly.

First, the total volume of independently-raised investments of units owned by the whole people has increased greatly in the last few years. In the six years from 1983 to 1988 [volume] increased 10 billion yuan or more yearly, with the exception of 1983 and 1986, when the increase over the previous year did not reach 10 billion yuan. [Volume] in 1988 increased 22 billion yuan over 1987. Extrabudgetary funds accounted for 90 percent of independently-raised investments of units owned by the whole people. In 1987 national extrabudgetary income was 202.8 billion yuan, in 1988 it was 236 billion yuan, and in 1989 it is forecast at 250 billion yuan, for an average annual increase of approximately 20 billion yuan. Extrabudgetary income equalled more than 91 percent of the national budget income for the same period. The extrabudgetary funds used in fixed asset investments in those years were approximately 81 billion yuan in 1987 and about 91 billion yuan in 1988, the projected figure for 1989 is 94 billion yuan. In recent years the total volume of extrabudgetary funds and the funds' use in investment have consistently shown a large increase, but the percentage of extrabudgetary income used in investment has continuously remained at about 40 percent, with very little change. The main reasons for this are: The state has always had rather strict usage regulations and management systems for extrabudgetary funds of units owned by the whole people. Also, in recent years the state has continuously reduced the scope of

investments and checked some of the investment demand. Finally, enterprises are currently not very aware of their accumulation and a considerable portion of extrabudgetary funds is converted to consumption. According to a typical survey, in the last two years over 50 percent of profits retained by enterprises was used in consumption. What bears watching is that, along with delegation of ownership and right of use of funds through several layers, the control and management of various types of independently-raised investments of units owned by the whole people, including local, departmental, and enterprise units, has become increasing difficult in these years and this investment sector still has the potential for an expansion.

Second, an obvious characteristic of the total volume of urban and rural collective investment and individual investment is large-scale growth which is maintained for a long period, to the point of having the greatest volume in various types of investments. In the four years prior to 1986, urban and rural collective investment averaged about 13 percent of total investments. In 1987 and 1988 the average rose above 15 percent. The growth rate for these two years was over 30 percent. The rural sector has made up approximately 65 percent of urban and rural collective investment in recent years, although compared to a few years ago the share of the urban sector has risen somewhat. Individual investment's share of total investments from 1985 through 1988 remained constant at over 21 percent. Its relative position did not decline and, with the exception of 1986, when its growth rate fell to 21.3 percent compared to 30.9 percent in 1985, its growth rate began to climb again in this period, so that by 1988 it had reached 28.5 percent. The urban sector's share of individual investment rose from 7.3 percent in 1984 to 15.3 percent in 1988. Despite this, the preponderance of China's individual investment still is rural individual investment.

From an analysis of the total volume of extrabudgetary investment we can conclude that since reform and opening to the outside world, various types of extrabudgetary investment have become important investment sources for fixed asset investment and have played an important role in China's economic and social development, and improvement in living standards. The total volume of independently-raised investments by units owned by the whole people must be controlled even further. At the same time, the main cause and the most important element in China's investment expansion, with the exception of the independently-raised investments of units owned by the whole people, is the excessively rapid growth of investments by that part of the economy not owned by the whole people. This coincides with the weakest point of investment management.

2. Source: Investment Channels Are Too Mixed

Even though in recent years the state has clarified the channels for funds for extrabudgetary investment somewhat, even now it is still very difficult to say clearly how

many channels there actually are. Surveys reveal that some regions use over 100 extrabudgetary fund channels for investments.

[If we break it down into] broad categories, 70 percent of the independently-raised investments of units owned by the whole people comes from extrabudgetary financial income, 20 percent comes from budgeted funds managed as extrabudgetary investments, and 10 percent comes from budgeted and other funds. But with a more detailed breakdown, extrabudgetary financial income also can be divided into several dozen types of funds, such as extrabudgetary income of local finance departments, enterprises owned by the whole people and the departments responsible for them, and institutions and administrative units. Dividing this portion of extrabudgetary funds according to management units, state-run [units] and responsible departments make up 80.1 percent, local finance departments make up 2.1 percent, and institutions and other administrative departments make up 17.8 percent. There are some funds without explicit stipulations that are used for investments and there also is a considerable portion that use independently-raised investments.

The main sources of urban and rural collective investments fit into the broad categories of bank loans and independently-raised investments. From 1986 to 1988, bank loans were the sources of approximately 45 percent of urban collective investment funds, and independently-raised investments made up approximately 43 percent. Bank and credit union loans [provided funds for] 38 percent of rural collective investments in 1987 and 32 percent in 1988, while 37.1 percent [came from] their own funds in 1987 and 41 percent in 1988. Foreign investment already makes up a considerable amount of urban collective investments and it is rising yearly. In 1988 it already accounted for 4.5 percent, 2 percent higher on average than in the two previous years. Most of the urban and rural individual investment funds, over 80 percent approximately, come from independently-raised investments. Bank loans make up 6 to 8 percent and other investments make up about 11 percent. The proportion of rural independently-raised individual investments was lower than that of urban [entities], which was 79.5 percent in 1987. However, bank loans made up 7.3 percent [of the former], higher than the urban percentage.

We can conclude from an analysis of channels of extrabudgetary investments [funds] that investment and construction during the ten years of reform have been characterized by the use of multiple investment channels, the mobilization of enthusiasm from various quarters, and more extensive raising of construction funds; this will lead to continued reform and development. Various foreign trade and retention systems have greatly benefitted enterprises and responsible departments, especially in giving enterprises broader authority to run their own affairs. Enterprises' retained profits are increasing daily and are becoming more vigorous. Institutional extrabudgetary income is also continuously

increasing. This helps to promote the technical transformation of enterprises, improve labor productivity, and promote the development of social institutions. But, China is a country with a "shortage economy." A shortage of capital is a significant problem in economic development. At the same time that [we] are raising construction funds more extensively, we must meet various requirements for funds, and we must not use them all on investments. With China's present lack of flexible, effective financial measures and a rather low level of modern investment management, too many and too mixed investment channels will create excess confusion and inefficiency in investment management, an important cause of an excessively dispersed and disorderly use of investments.

3. Investment Orientation: Investment Orientation Is Not Concentrated Enough and There Is Serious Duplication of Construction and Unchecked Construction

Presently, the amount of extrabudgetary funds of units owned by the whole people which is concentrated in fixed asset investments is very low. A large portion of some special funds, such as oil field maintenance fees and the exploitation fees that coal [mining], chemical industry, metallurgy, and forestry enterprises pay based on production to support further production, are merged with enterprise and state investments set aside for capital construction and transformation and renovation projects. Such funds as the electrical power fund, urban maintenance taxes, and local extra-use energy and transportation construction funds are also specially used for a certain type of construction. In addition, the utilization of another large portion of investments provided from extrabudgetary funds is rather scattered and runs contrary to the state industrial policy. A 1988 analysis of the percentage of investment funds (including capital construction and renovation [funds]) of units owned by the whole people with an investment ratio over 1.6 percent and divided according to management system, revealed that state investments were concentrated in 11 departments, foreign investment in 13 departments, and bank loans and other investments in 15 separate departments. Investments for coal replacement of oil were concentrated in six departments (this is a special fund, not easily dispersed). Independently-raised investments [were concentrated] in 16 departments, the highest dispersal rate of any of the funds. Certainly this is a very rough analysis. In real life, if we base our analysis on construction projects, only a very small number of the whole series of duplicative production lines and assembly lines for color television sets, washing machines, refrigerators, air conditioners, microcomputers, automobiles, western clothes, easy-opening cans, and cosmetics that have been built everywhere in recent years are provided from state budgetary investments. The vast majority are extrabudgetary investments and depend on domestic bank loans and investments provided by joint ventures. Surveys reveal that about 30

percent of independently-raised investments of units owned by the whole people are presently used in key industries.

The orientation of urban and rural collective investment utilization is similarly irrational. Although its percentage of productive investments and percentage of industrial investments are higher than units owned by the whole people, very few of these are investments in basic industry or the infrastructure. The vast majority are investments in the processing industry. Quite a few of these projects compete with large industry for energy sources and natural resources, and very few of them are capable of forming economies of scale. In 1988 the percentage of urban and rural collective investments used for productive investment came to 82.2 percent (in 1987 they were 78.6 percent and 82 percent respectively), 8 percent higher than units owned by the whole people. Industrial investment made up over 70 percent of urban collective investments and about 60 percent of rural collective investments. This percentage was on the rise. According to a typical survey, roughly 80 percent of investments by collective units in industry go into general processing industries. According to relevant data, in 1988 rural industry production of electricity only reached 16.8 percent of consumption. Iron and steel production was extremely low, [although rural industry] could consume over 10 million tons annually. A trend worth watching is that the continuing decline in the percentage of rural collective investment used on agriculture. It was 11.6 percent in 1987 and declined to 9.4 percent in 1988.

The orientation of China's individual investment utilization has remained relatively unchanged in recent years. A large portion is used on building construction (mainly residential). In 1987 and 1988 about 89 percent of urban individual investment was used for residential construction. Over 70 percent of this was concentrated in county cities and towns. From 1986 to 1988, about 86 percent of rural individual investment was used in housing construction. The percentage of investment used to purchase productive fixed assets was maintained at about 13 percent.

Because very many projects today are not single channel investments, projects are often set up with a combination of extrabudgetary investments and other funds, such as budgeted investments, bank loans, and use of foreign investment. Investments independently-raised by units owned by the whole people are also sometimes mixed with collective unit investments. This creates a great deal of difficulty in accurately analyzing the orientation of the utilization of various types of extrabudgetary investments. But we can confirm that very few extrabudgetary investments are used for investment in key industries. According to the calculations of a typical survey, only about 34 percent of total investments are used in key energy, transportation, and raw material industries, and the central government budget generally uses about 70 percent of its capital construction investment on these key industries.

We can generally conclude from an analysis of the orientation of extrabudgetary investment utilization that, despite the fact that in the last ten years state budgetary investment has exerted a great deal of effort slanted toward the weak links in the national economy, the unbalanced structure of China's total investments still has not been turned around, seriously affecting the proper readjustment of the entire industrial structure. An important cause of this is disproportionate extrabudgetary industrial investment orientation, including collective and individual investments.

4. Performance: The Performance Indicators of Some Collective Unit Projects Are Superior to Units Owned by the Whole people, But There Is an Obvious Inconsistency in Macroeconomic Performance

Because the vast majority of budgetary investments of units owned by the whole people make use of an assortment of budgetary investments and bank loans, the performance of extrabudgetary investments of units owned by the whole people comes mainly from capital construction and transformation and renovation projects. According to relevant data and typical surveys, in recent years the completion and commissioning rate of the fixed assets of collective investment projects has been higher than for units owned by the whole people (because data on other performance indicators are limited there is no way to compare [them]). Collective investment projects generally are comparatively small scale, construction conditions are comparatively unitary, and technological demands are also generally not high. Therefore, [the fact that] the project completion and commissioning rate of [its] fixed assets is higher than [for] units owned by the whole people conforms with the technical and economic characteristics of collective unit investments. But, just as [was pointed out in] the analysis above, because the overall orientation of extrabudgetary investment, including collective investments, is irrational and the percentage of extrabudgetary investment used on key industries is too low, the higher the completion and commissioning rate of fixed assets, the greater the contradiction in the supply and demand of energy, transportation, and key raw and processed materials. This thereby reveals the obvious inconsistency between microeconomic and macroeconomic performance.

Moreover, according to relevant data, industrial enterprises at and above the township level (including villages and teams) grew by 30 percent from 1980 to 1988. According to calculations, the profit and tax rate on fixed assets of industrial enterprises with annual output values less than 200,000 yuan is 11 percent lower than that of enterprises with annual output values of 100 million yuan; their profit and tax rate on output value is 13 percentage points lower; and per capita profits and taxes are over 7,000 yuan less.

From an analysis of extrabudgetary investment performance we can generally conclude that China is a developing country and an evaluation of investment performance must first stress macroeconomic performance.

Especially with the irrational pricing system, investment that appears to have good results under a partial [analysis] is not necessarily good when considered in totality. So, it is even more necessary to stress macroeconomic performance. Therefore, we must first expend a great deal of effort to solve the macroeconomic performance problems of extrabudgetary investment (presently the most urgent is to solve the problem of investment orientation). At the same time we must continue to improve the microeconomic performance of extrabudgetary investment. Study and formulation of a policy on economies of scale should also be placed on the agenda.

5. Distribution: The Regional Distribution of Investments Is Uneven; the Discrepancy Between the Coast and Interior Is Very Great

The regional distribution of China's extrabudgetary investment tends to be higher along the coast than in the interior, and it gradually decreases [from] the east to the middle to the west. This main concentration in the few provinces of the coastal (eastern) region totally conforms with the level of extrabudgetary income, which is determined by various regions' levels of economic development. The characteristic of uneven regional distribution of investments is more clearly reflected in investments of rural collectives and individuals than in investments raised by units owned by the whole people and investments of urban collectives and individuals. In 1988 five Chinese provinces—Hebei, Jiangsu, Zhejiang, Shandong, and Guangdong—had rural collective investments in excess of 3.5 billion yuan. The total for the five provinces was 27.3 billion yuan, making up 60 percent of national rural collective investment. In addition to Tibet, there were six provincial-level regions—Inner Mongolia, Guizhou, Gansu, Qinghai, Ningxia, and Xinjiang—whose investments did not reach 200 million yuan. The total for the six provincial-level regions was 870 million yuan, less than 2 percent of national [investments]. There were six provinces with rural individual investments in excess of 5 billion yuan: Henan province and the [first] five provinces mentioned above had the greatest rural collective investment. [Their] total investment was 38 billion yuan, making up 44 percent of the national rural individual investment. The provincial-level regions with the least individual rural investment were Qinghai and Ningxia, with only 200 million and 250 million yuan respectively. Jiangsu province had the largest [individual rural investment]: investments reached 11.88 billion yuan, making up 13.7 percent of the national [figure]. This totally conforms with the high rate of development of Jiangsu's rural economy in the ten years since reform and opening up to the outside world.

An analysis of the regional distribution of extrabudgetary investment reveals that present extrabudgetary investment generally tends to be in a closed circuit within a region. A rational orientation of distribution circulating between regions which takes into account national productivity is very rare and difficult [to attain]. [In] economically developed regions with high

extrabudgetary income and correspondingly large extrabudgetary investment, the relative economic development also is exceedingly rapid. This excessively large imbalance in the regional distribution of investment and closed circulation stand in the way of the rational exploitation and use of natural resources and the long-range development of the economy.

6. Policymaking: Local Governments and Responsible Departments at Various Levels Play a Leading Role in Setting Policy for Extrabudgetary Investment

One aspect of the leading role that local governments and responsible departments play in setting policy for extrabudgetary investment is manifested [when], after carrying out local financial and departmental responsibilities, they are urged on by local and departmental economic interests, and use all the extrabudgetary income they can obtain either for direct investment or to indirectly support projects which benefit their regional or departmental development. Another aspect is manifested in the use of governmental or departmental authority to adopt numerous means of raising and combining funds and concentrate a portion of extrabudgetary funds for investment use. When there is a contradiction between the policymaking of local governments and responsible departments at various levels and state macroeconomic policymaking (such as industrial policy), [the local governments and departments] often adopt various policies for their own benefit, causing serious difficulty for investment in the entire industry and the adjustment of the local structure. When there are contradictions with enterprise investment requirements, they often do not come to a mutual compromise, [but] go ahead with both at the same time. This inevitably widens the financial gap and creates a more extensive investment demand. In recent years, various levels and types of governments and departments have collected funds under various names and independently established an endless stream of special funds. Some of these funds are not only not in the budget, they are not even extrabudgetary, leaving a void in fund and investment management.

An analysis of the policymaking system for extrabudgetary investment reveals that, because local governments and responsible departments directly participate in or interfere in a large part of policymaking for extrabudgetary investment, and the motivation and basis for this policymaking is mainly to benefit their region or department, in the last ten years only the central government and the Comprehensive Investment Management Department have been involved in macroeconomic regulation and control of the aggregate investment and investment orientation of the whole society. When local governments and responsible departments at various levels take on responsibilities and carry out administrative management functions, they consciously or unconsciously become the objects of regulation and control. When macroeconomic policy touches on their own benefits, it is hard to avoid adopting attitudes and responses that are not thoroughly positive.

III. Improve Macromanagement of Extrabudgetary Investment

Reviewing what was said above, China's application of extrabudgetary investment involves determining the aggregate amount, the source, and the distribution from income, and [determining] investment orientation and policymaking prompted by profits. Therefore, in studying policies for macromanagement of extrabudgetary investment, [we] should focus on the two key links of regulating income and regulating profits.

First, the state [should] properly adjust national income allocation relationships and also appropriately concentrate a portion of funds for special use in development of basic industries and infrastructure. A few years ago the state concentrated a portion of extrabudgetary funds on enhancing key construction. With the annual increases in extrabudgetary income, the state can again appropriately concentrate a portion [of the income] to effectively regulate and control the use of extrabudgetary funds, while improving essential national construction. Now the concentration of extrabudgetary funds on key construction is done mainly by issuing construction bonds. Because the use of this type of construction bond is generally not directly related to local or enterprise economic returns, buyer enthusiasm is not great. [We] could consider adopting a method of levying some kind of tax on the funds and bonuses they are able to hand out in order to concentrate funds and have a unified state policy. This method would use financial and tax collection leverage to adjust various aspects of proportional distribution of the national income and correspondingly adjust various aspects of economic activity. Using this method of concentrating funds, they could be redistributed not by the state directly, but be controlled by the province, municipality, or region and used directly on a certain type of key construction without interprovincial handling. At the same time the state [would] set up certain appropriate indicators of investment scope. This method of concentrating [funds] would not completely disturb current central government and local income allocation relationships and would be easy to accomplish. [It would] also help accelerate key construction and would help the state macromanage this portion of investment. Certainly the degree of concentration must be appropriate. [We] cannot drain the pond to get all the fish.

Second, the state should further clarify the uses of various extrabudgetary funds. In the past the state had rather strict regulations on the use and management of extrabudgetary funds of enterprises owned by the whole people and responsible departments, but in recent years the situation has changed greatly. For instance, in recent years various insurance funds have grown very rapidly, and there are no clear regulations on whether they can be used for investment or not. (Actually they have already been used for investment.) [The state] should issue supplementary regulations to permit a portion funds—such as public road tolls and urban maintenance taxes, which now annually take in over 10 billion yuan and

nearly 5 billion yuan respectively, and which according to current regulations are required to be used for maintenance, repair, and renovation to ensure that present facilities are kept up, before they can be used for construction—to be used for investment to fully utilize idle domestic funds. But specific implementation of these regulations would be difficult. In clarifying the uses of various extrabudgetary funds, if it is difficult to quantify standards. [We] can designate general proportions to work with. The most crucial is to stipulate under what circumstances some funds cannot be used for fixed asset investments. In the present situation where capital construction and renovation are still separately managed, [we] must still specifically stipulate which funds can be used only for renovation and not for capital construction. China's present investment management is still only able to be concerned mainly about investment channels. So, further clarifying the various uses of extrabudgetary funds is extremely important in order to avoid using funds chaotically and creating an expanded investment and structural imbalance.

Third, improve and perfect planned management of extrabudgetary investment.

One of the matters that needs to be perfected in the planned management of independently-raised investments of units owned by the whole people is better examination of the sources of extrabudgetary funds used for investments. [We] could consider stipulating that local governments and departments, when they report their annual and medium-term plans of the scope of their independently-raised investments, must concurrently report a breakdown of the funding sources (including local flexible financial resources and various extrabudgetary funds) [as determined] by finance department investigations. The State Planning Commission unit in charge of finances [should] first examine the balance and delineate and determine the amount and the structure [of funds] that can be used for independently-raised investments. Then the unit responsible for investments [should] ultimately determine the quotas for the scope of the plan for independently-raised investments of various local governments and departments with a view to overall balanced investment. At the same time, they should take back the approval authority for some projects when appropriate, especially for local and enterprise construction projects which use extrabudgetary funds as the primary source of funds. A large part of their approval authority should be concentrated in provincial planning departments.

We should formulate specific policies for planned management of urban and rural collective investment and individual productive investment, which is always an extremely weak link:

A. Clarify the orientation and focus of collective and individual investments.

Urban collectives mainly engage in construction that complements large industry and state construction

projects, as well as in commercial service industry and foreign exchange earning projects. Rural collectives mainly engage in construction that directly expands agricultural production; improves rural ecology and the agricultural infrastructure; directly supports agro-based industry, forestry, and rural education, health, and local transportation. They also also engage in agricultural and sideline product processing projects, foreign exchange earning projects, [producing] products with a high market demand, and in projects which serve large industry and make comprehensive use of natural resources. Urban and rural individuals mainly engage in the service industry and in industries that directly serve urban and rural residents, as well as in housing.

B. Improve oversight of approvals of construction projects. The procedure and limitations on approval authority for urban and rural collective investment projects and individual productive construction projects should be the same as for the same type of investment project of a unit owned by the whole people. For projects that involve ecology and the environment, the approval should have the prior agreement of the next level environmental protection department and should produce an environmental affect report. To guard against multiple and arbitrary occupation of land, the state should produce a mandatory plan on the amount of land that can be occupied and used for cultivation or other uses. No matter what type of land the project uses, [the use] should be approved by the government at the county level or above.

C. Strictly control loan investments. Urban and rural collectives should use their own funds as the primary source of investments. They can request partial loans from banks if the project conforms to the requirements of the state industrial policy and the trade program, but their own funds must make up at least 60 percent of the total investment in the project. To help contain the overall scope of credit investments and ensure that credit is balanced and credit investments are used properly, [the state] should produce a mandatory plan for managing bank and non-bank financial organization loans to urban and rural collective units for investments. Banks and nonbank financial organizations should not grant loans for individual investment projects.

D. Planning departments at every level should be provided with the requisite authority to enhance management of urban and rural collective and individual investments. Especially in provinces where this type of investment is rather concentrated, they should set aside special organizations or special people in the provincial planning commission and [the planning commission] at lower levels to oversee collective and individual investments.

Fourth, enhance the guidance of the trade program on extrabudgetary investments. The responsible department for each industry should issue a specific, quantified plan for the industry's development, in conformity with the industrial policy already issued by the state which

units owned by the whole people, collective units, and individuals abide by in orienting their investments. This already has been done for a number of years, [but] if [we] want to consider really making it work and having it become an important means of managing China's investments, we must resolve four problems: [We must] make the trade program scientific. We cannot have an industry thinking [only] in terms of its own trade: it must [think of] the whole nation. Also, the trade program must be implemented down to the regional program, and especially should resolve the regional closed circuit of extrabudgetary investments. In such aspects as tax rates, profit rates, allotment of goods, and targets for the scope of investments, each region [should be] encouraged to develop various types of lateral joint investments in accordance with the needs of the trades for economies of scale. In addition, the trade program must be promptly and extensively distributed, and must forecast the constantly changing situation, and guarantee that various types of interest are collected and reinvested in a timely, accurate, and unimpeded manner. Finally, there must be required measures for implementing the trade program, including economic regulation measures, supplemented with legal measures. [We] should especially study the way that enterprise depreciation funds and production development funds are managed, and [we] can consider pooling a portion of depreciation funds and production development funds in the responsible department of the trade within a definite period, and truly update the technology of essential enterprises as required by the trade program. This would go a long way toward improving the overall results of independently-raised investments.

Fifth, having local governments and responsible departments regulating and controlling extrabudgetary investment will ensure that the state industrial policy and the investment plan and management system are thoroughly implemented. Local governments and responsible departments at every level are the mainstays of investment, but they must strictly fulfill their functions as administrative managers of investments. They cannot strengthen the former and weaken the latter. Therefore, they must strictly control the various fundraising activities of local governments and responsible departments. They must first explicitly prohibit governments and departments from concocting various pretexts to establish special funds that are neither in the budget nor under extrabudgetary management. They should also stipulate that all funds raised for use in investments must be passed by the State Planning Commission, examined and verified by the Ministry of Finance, and, in the period of improvement and rectification, should be reported to the State Council for approval. In addition, funds raised should be exclusively used in basic industry and infrastructure projects. Raising funds for nonproductive projects (especially public buildings) should be prohibited, with the exception of housing. Finally, they should strictly guarantee the credit of all funds raised and pay them back on time. If the fundraiser recognizes

a risk in the investment, he must not use any means to transfer [it] to the state or to consumers.

Sixth, perfect various economic measures. We should levy an investment orientation tax and regulate and guide extrabudgetary investments. Since reform [we] have constantly explored the use of economics as the principal means of managing investments, but have never been able to achieve the expected results. In the period of improvement and rectification, the amount of direct management and mandatory plan management of extrabudgetary investment can increase, but at the same time, we still should use some economic means as much as possible. [We] should levy an investment orientation tax on those with extrabudgetary investments. [We] should, as the state industrial policy indicates, lightly tax industries and products [we want to] encourage to develop, and establish a high tax on industries and products whose development is restricted or which are outside the plan; all the tax revenues [should be] used on state and local key projects. In order to guarantee that this tax is collected, we should stipulate that [industries] must first pay the taxes before they can be included in the plan. If the investment orientation tax is not paid, the project will not be permitted to go into operation. After the investment orientation tax goes into effect, the construction tax can be rescinded at the same time.

In addition to using an investment orientation tax to regulate urban and rural collective investments and individual productive investments, [we] also should consider using other economic means to direct investment orientation. For example, recently it was proposed that preferential arrangements on bank loans be given to state-exempt projects that conform to the state industrial policy and are on the products list from one year's income tax, and to collective units (the independently-raised investment ratio would still be 60 percent). All agricultural projects that directly benefit the peasants and projects that support agro-based industry, such as the chemical fertilizer, pesticide, and plastic film industries, would be permitted within the state approved investment scope to raise funds from collective enterprises and individuals and would be permitted to include the products with their part of the investment.

Seventh, improve social supervision, such as auditing the sources and the orientation of extrabudgetary investments. At the same time the Ministry of Finance's examination of funds continues to improve, it is also becoming necessary for auditing departments at every level to improve their auditing of extrabudgetary investments to ensure that people do not profit from their positions. Auditing oversight of extrabudgetary investment must [begin] from the start of the project and concentrate on four aspects: whether the source of the extrabudgetary funds is legitimate and whether funds used in investments, especially capital construction investments, conform to state regulations; whether funds are put to the stipulated uses; the state of the bank deposits backing independently-raised investments and the various types of taxes that they should pay; and

whether the orientation of the investment conforms to the state industrial policy and various laws and regulations.

Eighth, draw up and issue a state investment law, including a legal system to manage extrabudgetary investments, as quickly as possible. In the period of improvement and rectification, [we] could first formulate regulations and gradually develop a formal "Investment Law" that complies with the reform by practicing and analyzing our experience.

Ninth, improve management of urban and rural individual building investment. Urban and rural building investment should be managed and guided mainly through such means as controlling of land and credit funds, building permits, and rural planning. Specific measures are:

1. Improve land management. This is the key to managing urban and rural individual building investment. First, the State Land Administration Department should make up a mandatory plan for the area of land (whether cultivated or uncultivated) used for urban or rural individual building; [the plan will concern] all levels down to the household level. Second, [the state] should implement two land ownership systems. When [land] is used for agricultural production, it should be owned by the peasant collective. When land is used for housing or factory construction by peasants, as a rule it should revert to state ownership. Third, land used for housing construction should be sold at a fixed price with compensation for use. Now [we] should adjust present cultivated and uncultivated land prices upward appropriately. Fourth, each region should determine the standard amount of land to be occupied by buildings according to its actual situation.
2. Improve planning guidance and let county level planning departments fully exercise their roles. First, building by individuals must be approved by county-level planning departments and land management departments. Second, urban and rural individual builders should use mainly their own funds. From here on [we] should not grant individuals building loans. Third, [we] should clearly understand rural (town) planning. Rural (town) plans should be approved by people's governments at the county level and above. They cannot be determined independently by the township government.
3. Improve the legal system. Presently the law is not at all clear on whether illegal construction matters are handled by the law enforcement department or by the land department; this causes quite a few difficulties. [We] must first clarify the law enforcement mechanism. Without that there is no way to talk about punishment.

Combined Planned Economy, Market Regulation Discussed

90CE0103A Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 3, 3 Mar 90 pp 5-8

[Article by Bing Shen (0014 3947): "Uphold Integration of Planned Economy and Market Regulation"]

[Text] China's socialist economy is a planned commodity economy built on the foundation of the public ownership of the means of production. Apart from the basic characteristic features of the ownership system, the most characteristic feature of economic operations is the combination of planned economy and market regulation. Thus, constantly improving and progressively perfecting the plan system forms an organic combination of planned economy and market regulation, that is mutually complementary and mutually restrictive, gives full play to the different roles of the two in economic operation, realizes and upholds the sustained, stable, and coordinated development of the national economy is an important goal that China's economic system wants to achieve and is also the struggle direction that must be observed in the period of putting things in order and readjustment.

I. Achievements and Problems in Reform of the Planning System

Since the Third Plenary Session of the 11th CPC Central Committee, while continuing to carry out reform of the rural and urban economic system, reforms have also been carried out on China's planning system which in the past was overcentralized and overly rigid. Practice proves that the planning system reform policy is correct and the results obtained have been evident. Their important manifestations are that it has mobilized the initiative of the main body of individual interests, strengthened the inherent power and vitality of economic development, and accelerated the national economy's overall rate of development. Comparing 1988 with 1980, the gross value of China's national production grew 1.16-fold, calculated on the basis of comparable prices, advancing and overfulfilling the target to realize a redoubling of the gross value of national production. The average annual growth rate of the gross value of national production reached 10.1 percent and China became one of the few countries in the world with rapid economic growth. Making these achievements is certainly the result of the combined roles of many elements since reform, but we must admit that to a significant degree it is very closely related to reform of the planning system.

However, with the pluralization of interests, excessive stress on relaxation and invigoration, made plan management lax. In particular no very effective macroeconomic regulation and control system was established so that some runaway phenomena that appeared in economic operation could not be promptly corrected. This led to expansion of capital construction scale and consumption of capital and provoked fierce inflation. This

had a serious unfavorable impact on the sustained, stable and coordinated development of the national economy. Specifically, the primary problems that exist in planning management are the following: (1) The scope and proportion of command planning has shrunk too much and too quickly and the fulfillment rate of post-contraction command planning has clearly declined. Many local areas and enterprises one-sidedly stressed partial and local interests and did not strictly carry out command planning which led to a continual reduction of the varieties and quantity of important capital goods directly controlled by the state. Thus, the needs of key state construction projects and large- and medium-sized enterprises could not be guaranteed and this greatly weakened the ability and means of macroeconomic regulation and control. (2) Too much approval authority for capital construction projects was ceded to lower levels. Many local capital construction projects outside the budget were started recklessly, repeatedly exceeding the capital construction investment scale authorized by the Central Government, and greatly exceeding the capacity of to supply capital, energy, raw materials and transportation. This created serious duplication and became an important cause of the expansion of consumption funds and significant rise in market prices. (3) The plan management jurisdiction of the central government and the local areas is not clear. In particular, in such areas as finance, investment, goods and materials and foreign trade, central government plan management authority has actually been severely weakened. Conflicts of interest between local areas that are difficult to resolve harmoniously have led to increasingly violent chaos in some areas. This has seriously damaged the overall and long range interests of China's economic development. (4) The relations between planning, finance and bank departments have not been smooth and have not made the most of the economic leverage of planning departments overall balance and overall coordination. In short, the above-mentioned problems that exist in plan management do not conform to the overall demand of China's developing a commodity economy.

II. Reform of the Planning System Must Observe the Principle of Integrating a Planned Economy and Market Regulation

One important aspect of the socialist system's superiority over the capitalist system is that overall it can self-consciously realize a national economy that develops in a planned and proportional way. Thus it avoids disorder of all social production and its periodic economic crises of capitalism and the enormous waste and loss of society's material wealth this causes. However, a national economy that develops in a planned and proportional way clearly and unmistakably means that it must uphold planning guidance overall. It not only requires that the overall balance and important proportional relationships be controlled in the process of national economic development, but also requires that a corresponding planning system be created to adapt to the demands of planned and proportional development of the national economy. The planning system should

observe the principles of integration of a planned economy and market regulation, i.e., it cannot be overcentralized and overly rigid, but neither can it be decentralized and unmanaged.

It must be noted that a relationship of dialectical unity exists between relaxation and invigoration and the macroeconomic regulation and control demanded by a planned commodity economy. The macroeconomic regulation and control capacity directly determines the degree of relaxation and invigoration. That is, the greater the macroeconomic regulation and control capacity, the correspondingly greater the degree of relaxation and invigoration. When the macroeconomic regulation and control mechanism is not yet solid and perfected and the macroeconomic regulation and control capacity is still weak, blindly stressing relaxation and invigoration and one-sidedly pursuing local interests is bound to lead to economic chaos and lack of control. These have harmful consequences, contrary to the demands of planned and proportional development of the national economy.

After the Third Plenary Session of the 13th CPC Central Committee proposed the policy of putting things in order and readjustment and in-depth reform, the economic overheating that had gradually developed over many years was brought under control and the overly decentralized and unmanaged situation was corrected in a preliminary way. However, the Third Plenary Session of the 13th CPC Central Committee was in a socio-historical environment, therefore it could not conduct a thorough and incisive analysis of the deviations that had appeared in the process of relaxation and invigoration in the previous few years and their causes. It was also difficult to draw up fundamental measures to end the economic disorder and lack of control in an integrated way. Although some successes have been achieved in the year or so of putting things in order, especially changes in the situation in the dual inflation of capital construction scale and consumption capital and the clear improvement in the substantial inflation of marked prices, these can only be seen as the preliminary stage and the mission of putting things in order and readjustment and in-depth reform is still very enormous. In addition, with the further progress of putting things in order and readjustment, some unprecedented new situations and problems may appear which will demand that we present and formulate new responses. As for putting things in order and readjustment themselves are concerned, currently we have only held down the tendency to economic overheating. The basic conditions that created economic confusion and loss of control have not been eliminated. At the same time, the rate of industrial growth has declined sharply even to the point that negative growth has occurred in some industrial sectors. If this situation continues for too long it may also have an unfavorable impact on the sustained, steady and coordinated development of the national economy from another perspective. Thus, the urgency and importance of putting things in order and readjustment and in-depth reform is even more urgent. While current economic relations have not

yet been smoothed out and macroeconomic regulation and control mechanisms have not yet been perfected, if retrenchment measures are relaxed for a moment, economic overheating may reappear and may lead to even more serious economic confusion and loss of control. And if we do not devote time to in-depth reform we cannot create a more sensible industrial structure, cannot make economic activity that conforms to the demands of national economic policy operate normally, and may create a crisis of serious economic slide. To realize the anticipated goal set by the Fifth Plenary Session of the 13th CPC Central Committee to put things in order and readjust in-depth reform, we must correspondingly improve the planning system, perfect plan management methods, eliminate the basic conditions that cause economic chaos and lack of control, ensure that the national economy is on the right track and can secure sustained, stable and coordinated development.

However, reforming the planning system and perfecting plan management methods definitely does not mean that we can return to the overcentralization and overly rigid management of the past. The economic confusion and loss of control that appeared in plan management a few years ago was not the necessary result of reform and relaxation itself, but was a concomitant of the reform and relaxation process. If macroeconomic regulation and control measures are more appropriate they can largely reduce or even basically eliminate these phenomena. The focal point of improving planning system and perfecting plan management is on creating a strong macroeconomic regulation and control system to create more favorable conditions for the smooth and strong operation of reform and relaxation. Thinking that reform of the planning system and perfecting plan management methods is reviving and following the old pre-reform methods, not only will lead to an increasing stagnation economically, but is also very unfavorable politically. The course of national economic development before the Third Plenary Session of the 11th CPC Central Committee clearly and unmistakably told us long ago that that kind of overcentralized and overly rigid planning system cannot create an economic development mechanism that has abundant inherent dynamic vitality, and in the end will be detrimental to the fundamental interests of the people. If the pre-reform planning mechanism was healthy, then stagnant economic growth and slow improvement in the people's standard of living would not have occurred in China's national economy and the reform and relaxation advocated at the Third Plenary Session of the 11th CPC Central Committee would not have been necessary.

Several Specific Problems of Improving Plan Management

In the period of putting things in order and readjustment, improving plan management must begin with the following:

(1) Increase the scope and weight of command planning appropriately.

Command planning is an important type of plan management. It can effectively ensure the planned and proportional development of the national economy. The previous situation in which the scope and weight of command planning were too large actually inhibited the vitality and dynamism of economic development. In the ten years of reform and relaxation, the reform direction of contracting appropriately the scope and weight of command planning should be affirmed. However, it still should be used appropriately as a primary administrative means for regulation and control of the economy until a suitable replacement has been found. We must also maintain an appropriate scope and weight, especially for important means of production and means of subsistence related to the national plan and people's livelihood. The state must issue the suitable command plan directives in the areas of production and circulation in line with specific circumstances and different demands in order to ensure the basic needs of key construction projects, large- and medium-scale mainstay enterprises and the people's livelihood and through use of economic levers of finance, credit, taxation, pricing, interest rates and foreign exchange rates make it possible for state command planning to be realized smoothly.

At the same time, the leading role of guidance planning based on economic levers restricts and influences the economic activity of market regulation so that it can become an effective supplement of state planning (including command planning and guidance planning.) This should correctly handle the relationship between plan guidance and market regulation, i.e., plan norms should not be over-scheduled, and except for a very few specialized goods and capital goods, different circumstances should be distinguished for the overwhelming majority of products and capital goods to leave the necessary economic space for market regulation to make up for the inadequacies and defects of state planning, especially command planning, and strive to realize the unity of a planned economy and market regulation.

Local areas and enterprises must strictly observe and accurately implement the command plan handed down by the state, and in particular the central authority, to ensure the realization of command plans. Local areas and enterprises which one-sidedly pursue local interests and do not carry out the command plan without good reason must be investigated and punished according to the relevant policies and laws and regulations in order to maintain and strengthen the seriousness of the command plan.

(2) Strictly enforce the capital construction project examination and approval system.

The overall scale of investment in capital construction has decisive significance for overall control of national economic growth. Controlling the overall scale of investment in capital construction is an important function of

macroeconomic regulation and control and is also the most effective and most economic macroeconomic regulation and control measure. This is because it is a preventive regulation and control measure before there are serious economic losses, and compared with remedial regulation and control measures under conditions of severe excess of newly increased productive capacity it truly has unique advantages.

In order to effectively control the overall scale of investment in capital construction so that it stays within the tolerable scope of such basic facilities and industries as energy, raw materials and transportation we must accurately stipulate the examination and approval jurisdiction for construction projects and be rigorous in our examination and approval system for construction projects. Local areas can only examine and approve investment in capital construction projects on the basis of the stipulated limits and overall scale of capital construction investment handed down by the central authorities. All large- and medium-scale projects and projects that exceed the limits must be examined and approved by the central authority. The authority to examine and approve construction projects that was granted to local areas in the past should be readjusted or rescinded in accordance with relevant new stipulations of the central authority. Industrial investment limits managed separately by the various departments also should be suitably readjusted on the basis of industrial policy demands in order to constantly improve industrial structure and realize industrial balance. Authority to examine and approve local small-scale projects and other projects below the limits should in principle be concentrated in the provinces, autonomous regions, municipalities directly under the central government and planning unit cities.

In construction projects of enterprises of the "three capital sources," made up of Sino-foreign joint investment, Sino-foreign cooperation, and independent investment by foreign merchants, the important function of importing and using foreign funds and advanced technology, developing an export-oriented economy and improving the quality of our enterprises cannot be overlooked; also, it is an important part of China's opening up to the outside world. For this, suitable broadening of examination and approval authority and procedures is necessary. However, examining and approving "sanzi enterprise" construction projects also should be based on state industrial policy. Examination and approval authority for construction projects in different industries should be separately stipulated so that new construction projects will adapt to domestic capital and the distribution of original production capability and strive to avoid duplicate importing and create conditions so that "sanzi enterprises" construction projects can achieve the anticipated goals.

(3) Further clarify the plan management authority of the central authority and provinces, regions and cities.

In the period of the decade of reform and relaxation, in addition to reform of the planning system, there were also reforms in the management system in such areas as finance, investment, goods and materials, and foreign trade. Through these reforms the initiative of local areas and enterprises was mobilized in a broader range, which increased the accelerated overall driving force of national economic development. However, there are still some problems in these reforms and the reform of the plan system, among which the most outstanding is that reform measures are not complete and have influenced the further improvement of the overall benefits of systemic reform. The plan management authority of the central authority and the local areas should be rationally determined suited to the progress of reform of the financial, investment, goods and materials and foreign trade system and based on the demands favorable for improving the overall benefits of reform, so that the various aspects of reform of the system stay in step and that the size of responsibility, authority and interests fit together. This is an issue that needs to be given serious consideration, and efforts made to resolve in the process of future in-depth reform of the system.

While further clarifying the plan management authority of the central authority and the local areas, it is also necessary to improve and perfect plan management methods of large- and medium-sized enterprises and enterprise groups. Continuing to implement a management method that integrates command plan and guidance plan with regard to large- and medium-sized enterprises and enterprise groups should respect and guarantee the enterprise's appropriate autonomy and its place in the national economy, and priority arrangements in such areas as funds, energy, raw materials and shipping. Suited to command-style production and allocation plans, the funds, energy, raw materials and shipping large- and medium-sized enterprises and enterprise groups require for completion of command plans also require guarantees and implementation granted by command plan and a balance must be maintained between the two so there are no gaps. Large and medium-size enterprises and enterprise groups must guarantee the completion of the command plan passed down by the state and at the same time actively complete the guidance plan formulated by the state. Only with these preconditions can we enter market regulation. Enterprises that enjoy the preferential treatment of having command input plans but do not complete command allocation plans must be investigated and different circumstances distinguished. Enterprise managers and those directly responsible must be dealt with severely even to investigating legal responsibility.

(4) Continue smooth relationship of the three macroeconomic regulation and control departments of planning, finance and banks.

Since what we are implementing is a planned commodity economy and plan guidance occupies an important place in national economic life, the interrelations of the planning, finance and bank departments should be properly

manifested. In the macroeconomic regulation and control process, realizing plan guidance as the core and through finance work and bank work ensuring the implementation and fulfillment of plan guidance is a necessary demand of China's existing economic system. Thus, on the basis of this demand, we must continue the smooth interrelationship of the planning, finance, and bank departments. The finance and bank departments separately control the most important economic lever in state macroeconomic regulation and control. But how to exploit the role of this economic lever so that it can guarantee the planned and proportional development of the national economy is not entirely determined by the two departments themselves. They must observe the state plan's guidance and arrange for financing and banking on the basis of the demands of plan guidance.

Plan department is the overall department that draws up and implements the state plan. It bears the responsibility of the major goal of realizing overall balance of the national economy. Realizing the overall balance of the national economic plan requires that it have the functions of overall coordination of economic levers, otherwise it would be difficult to take advantage of the role of overall balance that the plan department should play. Thus, while granting the plan department responsibility for realizing overall balance, it also should grant the plan department the function of overall coordination of economic levers so that it can play the appropriate role.

Giving full play to the plan department's role of overall balance and overall coordination of economic levers does not mean that plan work can be separated from actual possibilities of finance and banking, even less does it mean that finance and banking work are entirely passive. But it means that on the basis of a sensible division of labor, the plan, finance and bank departments should take the initiative to coordinate, cooperate closely, advance in unison, act in unison, and form a sound, effective macroeconomic regulation and control mechanism. Plan work must fully consider and take into account the actual possibilities of finance and banking, and finance and bank work also should be favorable to supplementing, improving and perfecting plan work and through the concerted efforts of the three departments guarantee the realization of the targets of putting things in order and readjustment and in-depth reform.

Elimination of Dual-Track System in Capital Goods Advocated

90CE0145A Chongqing GAIGE [REFORM] in Chinese No 2, 30 Mar 90 pp 20-24

[Article by Lo Jingbei (5012 4737 0271): "Gradually Eliminate 'Dual-Track System' in Capital Goods Pricing"]

[Text] I. The Origin of the "Dual-Track System" in Pricing and Its Advantages and Disadvantages

The "dual-track system" in capital goods pricing refers to the system created by adopting two prices for the same

heavy industry product: one is the state price and the other is the market price. Thus there are two different price levels, one high, one low, for the same heavy industry production the same trading situation. Normally, the state price is the one in force for the plan, thus it is also called the plan price, and includes fixed prices and floating prices (base price, ceiling price, floor price). The market price is the one in force outside the plan (and includes the state's limit on market price.) However, there are also different levels of state prices for some products. For example, an average plan price and a ceiling plan price are stipulated for petroleum and natural gas. Prices for coal can be raised both above the base price and above the plan price of those approved in the unified ore distribution plan. Hence in actual operation, the various prices in the plan are often called the "dual-track system" in pricing. Therefore, in the broad sense, the "dual-track system" in pricing includes both the dual trade of prices inside and outside the plan and as well as multiple track pricing inside the plan.

It is generally held that the China's "dual-track system" of pricing capital goods began to take shape in 1984 and 1985. In May, 1984, the "Provisional Stipulations of the State Council on Further Expanding Autonomy of Industrial Enterprises" said that floating prices would be in force for capital goods outside the plan but that the magnitude of the difference could not exceed the price for similar goods in the plan by 20 percent. In February, 1985, the State Pricing Bureau and the State Goods and Materials Bureau issued a joint statement that eliminated the 20 percent limit. Extra-plan capital goods could now be traded on the market and prices could be determined by buyers and sellers. Of course, if the various prices within the plan are treated as a "dual-track system," then the legal basis for the "dual-track system" of prices for capital goods can be traced back to 1982. In that year the State Council decided to promote burning coal for heat rather than oil. To find the capital needed for technological transformation, they permitted the domestic sale of crude oil and heavy oil that were replacing coal-burning at the state market price. The income from the price difference was used for oil-coal conversion measures. Actually, private trading of capital goods in demand at high prices outside of the state price was already widespread in the seventies although it was illegal at the time. The state adopted many administrative measures in an attempt to suppress it but was unsuccessful. In 1984 and 1985, after the state promulgated the documents, this underground "black market" gained a legal position and quickly became a common phenomenon in economic life, even to the point that dual pricing appeared in capital financing (the interest rates on loans within and outside the plan, and state foreign exchange rates and foreign exchange adjusted price.

In October, 1984 the CPC Central Committee made the decision to reform the economic system. The reform emphasis turned toward the cities and reform of the unreasonable pricing system became the key to the

success or failure of the reform of the economic system. In the pricing reform process, they used state pricing policy in grains and oil and implemented pricing within the plan and pricing outside the plan with regard to capital goods to encourage overfulfillment and extra-plan production of heavy industry goods which were in short supply and to avoid fluctuations in economic life caused by substantial rise in prices in the plan. It should be pointed out that this change realized the original intent of the "dual-track system": it was helpful for enterprises to raise capital, accelerate technological transformation of short-line goods production, promoted development of these industries, and also avoided substantially rapid inflation of commodity prices. In addition, it made it possible for rural and township enterprises, which had not been taken into consideration in the plan in the past, to use high prices in the market to purchase needed goods and materials and spurred the vigorous development of rural and township enterprises.

After a few short years of practice, the "dual-track system" of capital goods pricing has extended to almost all heavy industry goods. According to 1988 statistics, among the heavy industry products producer prices, the proportion of sales at state prices (including temporary local prices) for excavation industry products was 95.1 percent, raw materials industry products was 74.6 percent, processing industry products was 41.4 percent. By sector, the proportion of state prices in force was: metallurgical industry products 72.9 percent (of which steel was 71.2 percent), electric power 95.8 percent, coal 94.4 percent, chemical industry products 51.3 percent, machinery 40.4 percent, building materials 52.4 percent (of which cement was 61.3 percent). State price levels have changed very little for the past few years but inflation has occurred again in the last quarter of 1984 so that the price differential in the dual-track prices of capital goods increased daily. In the initial period of the implementation of the "dual-track system" in pricing in 1985, the market prices for capital goods were 30-50 percent higher than state prices. By the end of 1988, the difference between the two prices was already 1 to 4 fold. For example the market price for coal was about 70 percent higher than the plan price, copper was 3.6 times higher, aluminum ingots were 4 times higher, cold rolled steel was 5 times higher, and caustic soda was 5.2 times higher.

Since the "dual-track system" of pricing capital goods seriously violated the principle of exchange at equal value, shortcomings that could not be overcome existed in and of themselves. With the promotion of this method, people became more and more aware of its shortcomings. Some of the shortcomings people cite are the direct result of the "dual-track system" of capital goods pricing, some intensify the contradictions that have already appeared in economic life, and some provided the conditions for the appearance of shortcomings in economic life as an external environment. In terms of the system itself, the evident shortcomings are mainly the following: 1) do our utmost to hold down the state

plan, expand production outside the plan, or shift part of the plan content for sale outside the plan so that a large amount of the resources in the plan flow into the market to influence the implementation of the plan. Lowering the rate at which state supply contracts are honored will influence the goods and materials guarantees for key state construction projects and key development departments. 2) The difference in the price structure of imported raw materials and fuels makes enterprise costs incomparable at different times and between different enterprises within the same industry. The difference in the price structure of goods for sale, the profit levels of enterprises at different times and between different enterprises within the same industry are not comparable. This fundamentally destroys economic accounting and fails to give appraisal and assessment of enterprise economic benefits a uniform standard. 3) Intensified confusion in the circulation region order led to speculating in intermediate links and seeking exorbitant profits and created a hotbed for breeding corruption and fostered unfair distribution. People are now painfully aware that the "dual-track system" in capital goods pricing has become an obstacle to the further development of the capital goods market and indepth reform. Eliminating the "dual-track system" in capital goods pricing has become a universal demand and was included in the "Decision on Further Putting Things in Order and Readjustment and Carrying Out Reform in Depth" passed by the Fifth Plenary Session of the 13th CPC Central Committee.

II. The Difficulty of Changing the "Dual-Track" Into a "Single-Track"

The "dual-track system" in pricing is an objective economic fact. It is the product of a certain economic environment and not entirely the subjective choice of government policy. In addition, several years of promotion has created a new pattern of interests. This pattern of interests is also completely irrational, hence changing the "dual-track" to a "single-track" will be even more difficult.

The following difficulties exist in resolving the issue of the "dual-track system" in capital goods pricing:

1. The large inflation in prices in the process of combined track capital goods pricing. In the spirit of the Fifth Plenary Session of the 13th CPC Central Committee, reducing inflation of excessively high retail prices of social commodities is an important goal of putting things in order and readjustment in 1990 economic work. It is also an important aspect of maintaining social stability to ensure the sustained, stable and coordinated development of the national economy. Now, for some mineral products, such as those of the coal industry, there have been industry-wide losses. The coal industry demands that in resolving the issue of "dual-tracks" and implementing combined tracks the problem of losses correspondingly be resolved and enterprises allowed capital accumulation for transformation. In this way, combined track pricing is bound to be higher than the

current mixed average price. After the prices of source goods are raised, a chain reaction is bound to occur in down-stream goods. This will promote the rise in the general level of prices and thus add difficulties for the combined-track.

2. The product price differential income obtained in implementing the "dual-track system" in pricing has become a legitimate practice that will be difficult to eliminate quickly after the combined track is implemented. For example, the price differential income of the crude oil and heavy oil replaced in changing from burning oil to burning coal has been earmarked for measures to shift to coal. The price differential income of crude oil production by the petroleum industry beyond the base has been earmarked for oil exploration. The price differential of parity crude oil in the plans of trade administration departments that has been sold at high price outside the plan has been used to make up the losses of other foreign trade products. The price differential income of some coal production beyond the plan of unified distribution coal mines is being used for enterprise technological reform and equipment replacement. After the elimination of the "dual-track system" of capital goods pricing, some enterprises may earn a price differential income from the combined track pricing that is smaller than before. There must be a way to supplement and replace this difference. In recent years state finances have been very tight but such increased allocations from state finances are unlikely.

3. Large industrial cities, large mainstay enterprises, and key construction projects will suffer major blows and they have a limited ability to withstand. A large part of the raw materials and fuel required by the large industrial cities and large mainstay enterprises for production and the construction materials, such as steel, lumber, and cement, required by key construction projects are centrally distributed by the state at plan prices. By region, for example, over three-fourths of the steel and coal consumed by Shanghai is centrally distributed, and 82 percent of the materials consumed by the chemical fiber industry are centrally distributed, as are 69 percent of those in the rubber industry. The proportion of steel, coal and lumber consumed by Tianjin that are centrally distributed are 49 percent, 82 percent, and 36 percent. These are all higher than average levels nationwide. Or by enterprise, for example, the proportion of steel, pig iron, coal and lumber consumed by enterprises directly supplied by the former Ministry of Machine Building system that are centrally distributed are over 60 percent, 62 percent, 94 percent and 41 percent, respectively. The over 80 percent of the steel consumed by the enterprises that manufacture electric power equipment is centrally distributed. After the combined track in capital goods pricing is implemented, the ability of these mainstay enterprises to absorb the increased production costs is limited and commodity costs should not be raised substantially. This puts enterprises in a difficult situation

and this does not entirely conform to the policy of further invigorating large and medium sized state-owned enterprises.

4. Appropriately arrange for supply channels for the important raw materials and fuels needed by collective, rural and township enterprises. In the past few years, collective, rural and township enterprises have developed very rapidly. In 1988 the gross value of industrial output of collective enterprises made up 36 percent of the national gross value of industrial output. The overwhelming majority of the important raw materials and fuel consumed by these enterprises is now obtained through the market. After the capital goods pricing tracks were combined, if certain capital goods were still in short supply, then they became part of centralized state distribution. How the goods and materials departments responsible for centralized distribution of capital goods facing over one million collective enterprises arrange for priority supply in line with industrial policy to satisfy their various needs in their production construction and also put an end to black market trade must be resolved in the process of combining capital goods tracks.

III. Several Tasks That Currently Need To Be Carried Out

Basically, eliminating the "dual-track system" in capital goods pricing and implementing one price for an item and putting an end to black market trade requires that we create an economic environment in which overall supply and overall demand are in general balance. Only if we build a relaxed national economic environment will the market for extra-plan high prices and outside the plan contract and the "dual-track system" of pricing gradually disappear. However, to bring supply and demand into overall balance cannot be accomplished in a short time. In the period of putting things in order and readjustment and when demand still exceeds supply, gradually resolving the issue of the "dual-track system" of capital goods pricing requires that we do the following:

1. Strictly control demand, further contract the gap between supply and demand and ameliorate the contradiction between supply and demand. We should continue to uphold the policy of dual constraints on financial credit, reduce excessive financial expenditures, and gradually eliminate the budget deficit. We should readjust the credit structure, control the scale of credit, and gradually realize a situation in which the current year's currency issues do not exceed the economy. Continue to control the scale of investment and prevent consumption demand from growing too rapidly. While maintaining suitable growth of production, readjust the industrial products structure, control reckless growth of the processing industry, and alleviate the short supply of energy and raw materials.

While improving the overall balance, when there is a possibly long-term general balance between supply and

demand of some heavy industry goods for which the "dual-track system" in pricing is in force, we should use this opportunity to eliminate the "dual-track system" of pricing these capital goods. In line with this demand, it now appears that we can begin this reform with cement. While eliminating the "dual-track system" of pricing in cement, we should promote a policy of high prices for high quality. We should expand the price differential in line with the name of the item, grade, and other distinctions of quality and performance. We should take into account the fact that a rather high proportion of the cement now used by some key construction projects comes from centralized state distribution and is of good quality and low price. We could consider converting the excess income received by the cement industry after the pricing tracks are combined to some of the key construction projects in a suitable way to supplement the devolution of key construction investment so that the economic burden on these key construction projects will not be increased excessively due to the reform.

2. Implement merging into one for heavy industry products which have multiple prices in the plan. Average prices in the plan and high prices in the plan are uniformly determined by the state. Merging these various prices may be easier than the combined track of plan prices and market prices. Merging multiple prices should safeguard the reasonable benefits already obtained as much as possible and guarantee the need for proper expenditures to reduce resistance. Proceeding from this requirement, it is generally more appropriate to use the existing mixed average plan prices in merging multiple prices. For example, in the past two years we could integrate price adjustments. First the multiple prices for coal under unified distribution were converted to one price. Then the multiple price varieties in the plan were gradually eliminated. Currently, the state unified price for coal under centralized distribution is in force for the portion within [the plan]. For the portion outside [the plan], there were price increases for [coal] that exceeded approved levels [chao heding nengli 6389 2702 1353 5174 0500], exceeded the base number, exceeded the plan, [and additional charges for] directed planning, special processing to finer grades, [transporting] outside the district, guarantees for electricity and steel [producers], as well as user maintenance fees, and deficit subsidies. When prices are merged these price increases and fees can be combined and a single unified plan price stipulated. This task can best be carried out simultaneously with appropriate increase in the coal price level so that there is an increase in the average level of the price of coal from unified distribution mines. To take care of the special needs of some mines in technological reform, municipal government construction and "three below" mining, we can also consider establishing a unified plan price for centralized distribution coal mining companies and joint coal and industry companies in the Northeast and Neimenggu and coal plan price of branch mining affairs bureaus, which can be separately approved by the two companies on the basis of the different situations of the mining affairs bureaus.

3. Select the opportune moment to raise plan prices appropriately. The majority of exfactory plan prices for the products of heavy industry tend to be low now. The profit tax rates on capital for the coal, electric power, building materials and railroad industries are lower than the national average and are only 6.3 percent, 17.2 percent, 92.7 percent, and 53.6 percent of the national average capital profit tax rates, respectively. There are industry-wide losses in coal and petroleum extraction and the exfactory price of steel within the plan in some cases is lower than the steel mill's average costs, thus these plan prices need to be increased gradually and systematically. Of course, in raising prices we should do our best to ensure good benefits, minimize repercussions and reduce subsidies so that society's retail price index does not exceed the demands of the state's annual plan. In putting things in order and readjustment we may consider first raising the price level of crude oil and heavy oil in the plan appropriately and we may also consider integrally combining the many plan prices for coal, suitably increasing the mixed average plan exfactory price for coal.

4. Put in order and readjust the circulation territory and improve market management. One important reason for the excessively large price differential in the "dual-track system" of pricing and for driving up the extra-plan prices is that there are too many companies in the capital goods circulation territory and management is chaotic. We should resolutely shut down or merge some important industrial capital goods companies whose management does not conform to operating conditions, such as steel, pig iron, copper, aluminum, lead, zinc, coal, heavy oil, lumber, cement, sulphuric acid, soda ash, caustic soda, polyvinyl chloride, polyethylene, and polypropylene. We should resolutely shut down goods and materials companies which rely on working their way into the gaps in the "dual-track system" of pricing and engage in illegal speculative activity to seek exorbitant profits.

To readjust and establish a normal market order and improve management and leadership of the circulation of important extra-plan capital goods we should start by establishing an open marketing system for important extra-plan capital goods. In the period of putting things in order and readjustment, we can first introduce an open marketing system for such products that enterprises market themselves, such as steel, pig iron, coal, coke, lumber and ferrous metals. The seller must be open about quantity of goods, price, marketing object, and method of payment in marketing these goods, and must not engage in any trade activity in any form outside the open sales market in marketing in the unified market approved by the state. It is clearly stipulated that the state pricing policy for capital goods sold in the open sales market must be strictly enforced. The price of goods for which the state has stipulated a maximum price cannot be exceeded in trade activity. A product can only be sold to the user at a single price in the same market and at the same time. Asking various prices of different buyers is prohibited and demanding cash or

goods in addition to the price is forbidden. The market management committee is responsible for checking trade activity in the open sales market. Once activity in violation of the regulations is discovered it should be presented to the industrial and commercial administrative and management agency for investigation and for punishment by the administrative department in charge or the judicial department.

The coal market was selected for a breakthrough to overcome the confused situation in marketing links in 1990. One can imagine that all coal produced by centralized distribution mines, some coal handed over to the state by local areas, and extra-plan coal shipped out of the province on railroads all being managed by the state and the implementation of unified distribution, centralized ordering, centralized shipping, and centralized dispatch. From now on, except for state-approved coal marketing departments, fuel companies at all levels, supply and marketing cooperatives with administrative tasks and coal management units designated by relevant government departments, coal management units and individuals are not permitted to deal in coal. Supply and demand sides should directly handle the procedures and sign the contracts for coal shipment and sales. Coal-producing provinces and centralized distribution mines will not provide coal to units without contracts. Shipping units will not approve railway cars to units without contracts. All coal orders and trade must be settled through banks and use receipts stipulated by the state. Through readjustment, normal trading market procedures of coal will be established.

Experts View Domestic Market Prospects

HK2607114590 Beijing CEI Database in English
0932 GMT 26 Jul 90

[Text] Beijing (CEI)—Retail sales volume of social commodities in China this year is expected to rise by 5 percent over last year, but adjusted for price rises, a negative growth may be in sight, some experts of the State Planning Commission held.

According to the experts, retail sales in the first half of this year dropped 1.9 percent as compared with the same period last year, while a 1.3 percent positive growth was seen in June, the first time since last February.

The experts didn't regard the growth as a sign of a favorable turn because sales in domestic markets will be restricted by the following four factors:

First, the purchasing power of both urban and rural residents is limited since the state will continue to control total social demand; second, product mix has not been improved much and supply still does not meet demand; third, circulation of commodities is somewhat hindered by economic blockade imposed by regions which protects products of poor quality; and fourth, prices are going upward at an estimated rate of 7 to 8 percent considering the big base figures of last year.

The experts attributed the sluggish market mainly to the unreasonable pricing structure.

They predicted that the situation may turn for the better in the domestic market in the second half of this year, but permits no optimism.

Regional Economic Cooperation Expands

OW2407181990 Beijing XINHUA in English
1427 GMT 24 Jul 90

[Text] Beijing, July 24 (XINHUA)—Regional economic cooperation, an outcome of China's planned economy with market regulation, has experienced a rapid expansion in China.

According to an official of the State Planning Commission, more than 100 economic cooperative organizations have so far been set up between provinces and cities, or between regions in a province.

Except the newly-established Hainan Province, all other provinces, municipalities and autonomous regions have joined at least one of such cooperative organizations, the official added.

The Shanghai economic zone embraces Shanghai and Jiangsu, Zhejiang, Anhui, Fujian and Jiangxi Provinces, while the central and southwest China's economic and technical cooperation is formed by neighboring provinces, which include Hunan, Hubei, Sichuan and Guizhou Provinces and Guangxi Zhuang Autonomous Region.

As the cooperation has helped in breaking regional blocks and adjusting the irrational distribution of productive forces, governments at all levels have showed great interest in and support for it.

Since Beijing and Tianjin invested in building raw material production bases in Shanxi, Hebei and Inner Mongolia and let some energy-consuming projects be manufactured in those places with the help of experts and technicians from the two cities, the economy in north China has showed a notable upturn.

As a result, Beijing and Tianjin have had an ensured raw material supply, while the economy in the localities have been making rapid progress.

To improve the backward transportation and communications facilities in southwest China, Sichuan, Yunnan, Guizhou, Guangxi, Tibet and Chongqing have in the past six years invested 1.2 billion yuan and built 78 trans-province highways and completed 41 projects in postal and telecommunications services.

Since the Chinese Government issued regulations to boost regional economic cooperation in 1986, a number of cooperative organizations have formulated their own regional preferential policies and rules to ensure the cooperation a success.

Economists spoke highly of such cooperation, saying that it is very important in forming a big unified market, balancing the distribution of productive forces, tapping local initiative and promoting the rational use of resources.

Statistical Bureau Releases May Economic Statistics

OW1906144490 Beijing XINHUA Domestic Service
in Chinese 0727 GMT 18 Jun 90

[Text] Beijing, 18 Jun (XINHUA)—According to a report by the State Statistical Bureau, China's economy continued to turn for the better in May. Industrial production continued to grow, fixed-asset investments began to increase, prices were relatively stable, there was a surplus in foreign trade, and the foreign exchange reserve continued to increase. However, no visible progress was made in improving the sluggish market, in reducing excess inventory of industrial and finished products, and in improving economic results.

According to statistics, industrial production began to increase in March. Industrial production grew most rapidly in May, with an average daily output value increasing by 3.1 percent over April. Industrial output value from January to May totalled 749.9 billion yuan, 1.4 percent more than the same period of the last year when calculated in terms of comparable prices. The main reasons for the rebound of industrial production were as follows: First, production of rural enterprises and the three kinds of enterprises with foreign capital [Sino-foreign joint enterprises, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises] increased quite rapidly, making significant contributions to overall industrial production growth. Second, the situation concerning fund shortages improved to a certain extent. Third, affected by the increase in fixed-asset investment, production of some heavy industrial products increased gradually. Judging from the current situation, if the average daily output value can be maintained at May's level, this year's overall industrial growth may reach 6 percent, as projected.

During the January-to-May period, fixed-asset investments of units of public ownership reached 44.9 billion yuan, 1.7 percent more than the corresponding period of last year. In terms of investment pattern, productive investments increased by 3.1 percent, and nonproductive investments decreased by 2.6 percent. Investments in the coal industry, electric power industry, transportation industry, posts and telecommunications, cultural establishment, education, public health, and scientific research increased by a relatively big margin. What is noteworthy is that investments in modernizing and upgrading production technology had been on the decrease since the beginning of this year, which will hamper efforts by enterprises to readjust their product makeup.

Sales improved to a certain extent; however, the market was still rather sluggish. Retail sales totalled 67.4 billion

yuan in May, 0.5 percent less than the corresponding month of last year. However, the magnitude of decrease was smaller than the 3.3 percent in April. Currently, sales in urban areas are turning for the better. Sluggish sales mainly occurred in rural areas. No visible improvements in the sales of the means of production were observed. During the January-April period, sales of the means of production by material supply departments decreased by 12.4 percent over the same period of last year.

Prices basically stayed stable. In May, living costs and prices of consumer products in 35 large and medium cities increased by 2.6 percent and 1.4 percent respectively over the corresponding month of the last year. The magnitude of increase of both was smaller than the April figures.

Since the beginning of this year, because of the readjustment in the foreign exchange rate and the narrowing gap between the supply of and demand for foreign exchange, foreign trade continued to increase. According to statistics compiled by customs, exports totalled \$20.6 billion during the January-May period, 14 percent more than the corresponding period of 1989. Imports during the period totalled \$18.9 billion, 16.9 percent less than the corresponding period of 1989. The state's current foreign exchange reserve is about \$4 billion more than that at the beginning of the year. The makeup of imports and exports improved to a certain extent. The export of machinery and electrical products increased while the import of high-grade durable consumer products, office equipment, and various kinds of motor vehicles decreased sharply.

January-May Major Economic Indicators

OW1107102290 Beijing XINHUA Domestic Service
in Chinese 1224 GMT 29 Jun 90

[Text] Beijing, 29 Jun (XINHUA)—The State Statistical Bureau, the State Planning Commission, the Ministry of Finance, and the People's Bank of China have jointly announced the major economic indicators for the first five months of this year. [passage indistinct] Financial needs were basically met. However, no improvement was seen in industrial economic efficiency.

1. Investment in fixed assets grew slowly. Investment in fixed assets by state enterprises increased by 1.7 percent to 44.9 billion yuan in the January-May period, 750 million yuan more than in the same period last year. This includes a 6.4 percent, or 890 million yuan, increase in May. The investment this year was characterized by the following points: Investment in technical transformation and revamping remained low. The investment structure improved. Compared with last year's figure, the investment in scientific and technological research and services grew by 2.2 times; in culture, education, public health, broadcasting, and welfare, by 48.9 percent; in transportation, posts, and telecommunications, by 19.6 percent; and in energy, by 17.5 percent. However, the investment remained at the same level in agriculture and

decreased in other fields at varying extents. More new projects were launched. In the first five months this year, 2,554 new projects by state-owned units received capital construction, which is 629 more than last year. The investment in locally run projects decreased by 800 million yuan, which is a drop of 3.6 percent.

2. The bank credit balance continued to increase. On the basis of increasing by 28.8 billion yuan at the end of April, bank credits increased again by 9.4 billion yuan in May. As a result, the bank credit balance stood at 1,279.1 billion yuan at the end of May, 38.2 billion yuan more than at the beginning of the year, or 28.3 billion yuan more than the same period last year. Judging from the distribution of loans, the increase was larger in economically developed areas and in areas with many state enterprises. In order to accelerate the flow of capital, local governments at all levels and banks made an energetic effort to settle "triangle debts" in recent months. Although some results were achieved, the effort developed unevenly and fell short of expectations. Pertinent measures should be taken to further settle "triangle debts" and to encourage enterprises to invigorate the flow of funds, thereby increasing the utilization rate of funds and reducing bank credit.

3. The gross payroll increased steadily. The total volume of workers and staff wages amounted to 104.5 billion yuan in the first five months of this year, 8.1 billion yuan, or 9.1 percent, more than last year's figure. After deducting price factors, the actual increase was 5.3 percent, which came mainly from such normal increases as promotions, wages for temporary workers who became regular workers, and annual step increase. Judging from the structure of wages, the trend of increase was generally normal. Compared with last year's figure, bonuses increased by 6.2 percent, which is lower than the increase of basic wages. Excessive issuance of bonuses was somewhat brought under control.

4. Industrial economic efficiency did not improve. Industrial production began gradually to pick up from March this year, which has exerted a positive influence on the economic stability. However, the economic efficiency did not improve. Per capita labor productivity declined slightly. The cost of comparable goods was overspent in all fields, but the margin of overspending dropped by 11.6 percentage points over the same period last year.

In the first five months of this year, profits and taxes from the sales of budgeted state-owned industrial enterprises fell by 3.7 percentage points, compared with the same period of last year.

To increase economic efficiency, the following tasks must be carried out: While ensuring proper industrial growth, it is necessary to readjust the pattern of investment and to speed up a readjustment of the product mix and the industrial policies, thereby creating an economic pattern that combines growth with efficiency.

Role of Loans in Structural Readjustment

HK1507074290 Beijing JINGJI RIBAO in Chinese
22 Jun 90 p 3

[Article by He Wei (0149 0251): "From 'Substitution of Loans for Allocation' to 'Substitution of Loans for Investment'—An Important Issue in China's Structural Readjustment"]

[Text] Readjustment of the industrial structure is a question related to integration of improvement and rectification and deepened reform as well as their development at the next stage. In my opinion, an essential reason for the difficulties in current structural readjustment is that "substitution of loans for allocation" has merely become a form instead of playing its anticipated role. To put an end to such a state of affairs, it is necessary to effect a change in the management of enterprise stock assets invested by state finance and introduce "substitution of loans for investment" for the stock assets.

Why the Effects of "Substitution of Loans for Investment" Are Not Satisfactory

Since reform, China's investment in newly built enterprises has changed from financial allocation to bank loans. Although few changes have been effected in the source of capital, in a sense, the relation of subordination between the state and enterprises has changed to a relation of credit, the supply system in which capital is used gratuitously has changed to use with payment of principal and interest, and the direct relation between the state and enterprises has changed to a relation between the bank and enterprises. These changes can increase the sense of responsibility of enterprises, use capital sparingly, speed up capital turnover, and increase the use rate of capital. If "substitution of loans for allocation" is practiced in light of the original plan, it would have produced better economic results. In actual implementation, "substitution of loans for allocation" has merely become a form. The funds for capital construction had to be approved by the State Planning Commission and paid by the bank on behalf of finance. Instead of independently granting loans in light of state policies, the banks merely served as the cashier of the state's investment in capital construction. For various reasons, instead of repaying loans after tax payment, enterprises could only repay the loans before tax payment. This is tantamount to gratuitous financial investment or reducing revenue to repay the loans. As a result, "substitution of loans for allocation" became a form and failed to give full play to its role as a credit mechanism.

There are many reasons why the "substitution of loans for allocation" could not give full play to its role in light of the tentative plan. One of the main reasons is the failure to effect a change in the management of enterprise stock assets invested by the financial departments so as to meet the needs of enterprises carrying out the plan of "substitution of loans for allocation." The

existing enterprises could use state investment gratuitously, without paying interest or the principal. However, the enterprises carrying out the plan of "substitution of loans for allocation" had to pay interest as well as principal. After repaying the loans, they had to pay the same amount of taxes and deliver the same amount of profits to the state as the enterprises using state capital gratuitously. As the two kinds of enterprises are not handled separately in policies, the enterprises carrying out the plan of "substitution of loans for allocation" are not enthusiastic about repaying the interest and the loans. As enterprises cannot repay the loans after paying taxes because of prices or other policy reasons, they had to adopt some flexible measures. Consequently, the "substitution of loans for allocation" would be of no meaning at all.

"Substitute Loans for Investment" for Stock Assets

Stock assets refer to assets put into production. As the foundation of production, they determine the product mix and balance of general supply and demand. They also condition to a certain extent the input structure of the incremental assets. Hence, they constitute an essential component part of the existing industrial structure and the focus of industrial structural readjustment.

China now has around 1,000 billion yuan of stock assets. This huge amount of social wealth constitutes the sound material basis of socialism. Of this, the advanced equipment and technology in many large enterprises have reached world levels in the mid 1980's. It is the symbol of China's productive forces and the material foundation for China's economic development. If we can make the most of the 1,000 billion yuan of stock assets with the large and medium size enterprises as backbones, it will play an immense role in China's economic development. Because of China's irrational industrial structure, however, the low use rate of stock assets has resulted in enormous waste. This is manifested in: First, one-third of the existing stock assets lie idle and cannot play any role while the use rate of the remaining two-thirds is relatively low and has not reached the highest level in history. Second, the irrational structure of existing stock assets has caused enormous waste of the use of raw materials, energy, and other natural resources, resulting in short supply of products and overstock, imbalance of supply and demand, and waste of large amount of labor and resources. Third, instead of effecting a fundamental change, such a state of affairs has been further aggravated. Although these problems are known to all, they remained unsettled for a long time. The reason is that enterprises do not have the powers of readjusting the stock assets and there is a lack of self-readjustment mechanism for China's stock assets. Moreover, the government is the owner of enterprises and the functions of the government are not separated from those of enterprises. Governments at all levels have the proprietary rights of China's current public ownership system. They are the owners of means of production as well as directors of economic operation. In addition, the essential factors of enterprise production are also under their

control. All enterprises can only engage in production by following the instructions of the government. They have no right to readjust the structure of stock assets. The government concerned departments care for output value rather than implementation of the plan and enterprise economic performance. As a result, with an additional number of enterprises, the departments have an additional portion of output value and property. Hence, they do not want the number of enterprises under their jurisdiction to decrease, even though they are merged or have gone bankrupt. As the contract system is implemented in various fields and the contract quotas will remain unchanged even if the concerned departments cut the number of enterprises, they are not willing to undergo readjustment even though economic performance of enterprises is poor. Because enterprise assets are solidified and cannot be circulated, the structure of stock assets cannot undergo readjustment and the resources cannot be rationally distributed. This shows that the industrial setup of China's stock assets has been irrational for a long time mainly because of the structure. Enterprises have no right to readjust the structure of assets and even the concerned departments cannot independently readjust the industrial structure of enterprises under their jurisdiction, resulting in stagnation of stock assets as a whole. Hence, it becomes rather difficult to optimize the essential factors of production and make full use of the resources.

To extricate stock assets from the predicament and readjust their structure through circulation, the government should introduce some reforms in stock assets management. Like changing the incremental assets to "substitution of loans for allocation," stock assets can be changed to "substitution of loans for investment," namely, changing the past practice of state investment in enterprises to loans granted by the banks which must be repaid with interest. By replacing the relation of subordination between the state and enterprises with credit, we can increase the enterprises' sense of responsibility in using capital and also strengthen supervision of the banks over enterprises. In this way, stock assets are in a similar position to incremental assets.

To apply "substitution of loans for investment" to stock assets, it is necessary to first make an assessment of enterprise stock assets in light of the current value and find out the amount of enterprise stock capital which will be regarded as the basis for granting loans. Second, on the basis of the general checkup on the assets, the governments at all levels should deposit their investment in enterprises to the construction bank or trust and investment bank and obtain interest accordingly. Meanwhile, enterprises should pay interest to the banks in light of the amount of loans taken. The difference between the deposits and loans interest is the profit of the banks. Third, when the loans are repaid by enterprises, the banks should turn over the amount of money to the government. This amount of money should be regarded as state revenue rather than income of the government departments. Fourth, enterprises should pay

taxes to the state according to regulations instead of delivering profits. Without the delivery of profits by enterprises, the decrease in revenue can be made up by the increasing amount of taxes.

In a word, the sum of deposit interest and taxes received by the state should not be lower than the revenues of the past. Under the conditions of "substitution of loans for investment," enterprises have nothing to do with the state in money matters, their relationship of subordination becomes one of credit, and their relationship of distribution is legalized and standardized. The implementation of "substitution of loans for investment" in which use of capital is compensated has imperceptibly increased pressure on enterprises, impelling them to improve operation and management, attain better economic results, and increase their loan repayment capacity. Meanwhile, enterprises will be more careful in the management and use of stock assets, try to reduce the amount of capital lying idle, increase the use rate, deal with the equipment lying idle, use their income to repay the loans, and minimize the amount of interest paid. Regarding the enterprises whose economic results are affected because of prices or policies, which are incapable of repaying the interest and loans, but whose products are needed and cannot be eliminated, it is necessary to give them financial subsidies or preferential terms in taxation and policies. The repayment of loans of some may even be postponed. Under the conditions of "substitution of loans for investment," enterprises should hold themselves responsible to bank loans and the banks. For the safety of loans, it is necessary to strengthen supervision over enterprise operation and management. Regarding the poorly managed enterprises which are incapable of repaying the loans, the banks may merge them, or sell them by auction, or declare their bankruptcy. This will help the flow of stock assets and microscopically promote readjustment of the industrial structure to increase the use rate of the available capital. Enterprises which belong to the microscopic industrial structure constitute the foundation of the macro industrial structure. Only by invigorating the micro industrial structure and bring about a flow of incremental assets can the macro industrial structure be readjusted and the incremental assets input be rational. In this way we can make the most and optimize the distribution of social resources, develop the readjustment mechanism of industrial structure and give full play to its role, change external administrative readjustment into a self-readjustment mechanism within the industrial structure, replace periodic major readjustments with frequent self-readjustment, and promote the sustained, steady, and coordinated development of the national economy.

Similarities and Differences of the Role of "Substituting Loans for Investment" and "Substituting Loans for Allocation"

Like "substituting loans for allocation," "substituting loans for investment" changes the direct relations of subordination between the state and enterprises into indirect relations of credit so as to separate the functions

of the government from enterprises and legalizing and institutionalizing the relations between the two. By changing the practice of enterprises gratuitously using state capital to use based on remuneration, we can increase the use rate of capital and reduce the amount of capital lying idle. By transforming administrative management over enterprise capital into management by means of credit mechanism and interest lever, we can urge enterprises to carry out industrial structural readjustment, optimize the distribution of production factors, speed up capital turnover, attain better economic results, and maintain a balance of general supply and demand. After repaying the loans, the nature of ownership of the enterprises practicing the system of "substituting loans for investment" is more or less the same as that of enterprises practicing the system of "substituting loans for allocation". The role of the two is identical in the changes mentioned here.

However, there are also differences between the two. First, "substitution of loans for allocation" is the management method for the newly incremental assets while "substitution of loans for investment" is the management method for stock assets. Second, readjustment of the industrial structure by "substituting loans for allocation" should be restricted as it requires increased issue of currency. As readjustment of the industrial structure by "substituting loans for investment" constitutes a recombination of existing capital, it is not restricted by the issue of currency. Third, loans repayment of "substitution of loans for allocation" is repayment of new investment while that of "substitution of loans for investment" is the reuse of investment accumulated in the past so that the financial departments can obtain a huge sum of income to ease the current economic difficulties. Fourth, "substitution of loans for allocation" can increase the use rate of incremental assets and readjust the industrial structure while "substitution of loans for investment" can increase the use rate of stock assets and readjust the industrial structure. Thus it can be seen that "substitution of loans for allocation" is aimed at incremental assets while "substitution of loans for investment" is aimed at stock assets. The combination of the two can invigorate the industrial structure as a whole and implement the state's macro industrial policy.

PROVINCIAL

Fixed Asset Investment Drops in Shanghai
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[From the "Morning News" program]

[Text] This year, Shanghai has continuously brought the scale of fixed assets investment under control while stressing the readjustment of investment structure and ensuring the completion of key projects. The latest statistics from the municipal statistical bureau show that Shanghai invested 5.673 billion yuan in fixed assets investment in the first half of this year, a drop of 15.2

percent from the same period last year. Local projects registered a drop of 5.4 percent.

Shanghai's fixed assets investment in the first half of this year bore the following characteristics: First, the total investment into technological transformation of enterprises rose again; the amount of investment in technological transformation of enterprises in the first half of this year increased by 3.5 percent compared with the same period last year. The increase in investment in technological transformation and renovation will help develop production in Shanghai and strengthen the long-term development of enterprises.

Second, the investment ratio for production increased.

Third, the pace of building major key projects quickened and the ratio of completed investment projects is high.

Fourth, the capital input into fixed assets investment continuously dropped. From January to June, the capital input into fixed assets investment by units owned by the whole people in the municipality showed a decline of 2.5 percent compared with the same period last year.

The growth in the total amount of fixed assets investment is one of the important factors leading to an increase in social demand. In order to bring about a rebound in market sales and help Shanghai extricate itself from the predicament of a sluggish market as early as possible, relevant investment departments will, by making proper macro readjustment, appropriately increase capital for fixed assets investment in the next half of the year.

SMALL-SCALE ENTERPRISES

Private Enterprises Masquerade as Collectives
90CE0252A Beijing JINGJI RIBAO in Chinese
24 May 90 p 3

[Article by Ren Dakai (0117 1129 6963): "Law Contemplated on the Phenomenon of Village Enterprises Falsely Claiming To Be Collectives"]

[Text] Presently some individual industrial and commercial households, individual partnerships, and private enterprises are mingling with rural village and town collective enterprises. They go by the names "affiliate," "lessee," or "contractor," but these enterprises are actually [only] collectives in name, and individual industrial and commercial households or private enterprises in fact.

There are four main reasons that the "false collectives" exist on a large scale: First there is an historical reason. Since the 3d Plenary Session of the 11th Central Committee and amidst the rapid revival of the individual economy, some "large employers" with more than seven employees have appeared. Social opinion is not universally opposed to these rich and influential families. Because currently there are no policies or regulations, we

must take a "wait and see" attitude, and issue "temporary business permits" until there are changes. This causes these large employers to harbor doubts, fearing that the policy will change, that others will be jealous, that their employees will be considered exploited; they do not feel safe. It is best to seek a collective enterprise as a backer just to be safe and have an escape. Second, there is an ideological problem. Some people's thinking has not been liberated from the traditional "leftist" concepts of the past. They are generally accustomed to placing the private economy on a par with capitalism. In addition to not wanting to have economic contacts with private enterprises in order to avoid suspicion of soliciting bribes or obtaining extra income, they make some unsuitable regulations [concerning] some of their specific practices, such as [the regulation] that a private person's loan is the responsibility of the entire economy under the name "collective enterprise" loan. If they should take a loss, the debtors can use the collective enterprise as a "shield." [If] they have difficulty or a problem comes up, some enterprises with which they are affiliated also can help them by pleading to have [the problem] resolved. Third, some local governments (principally village and township people's committees) stand to gain. They can gain two big advantages from having a developed private enterprise or affiliate in their midst. They can calculate in the value and the volume of output [of the affiliate]; if the output value increases rapidly, their administrative grade is larger, and they can obtain a large amount of impressive administrative fees. Fourth, there is the influence of the "Wenzhou model." The series of methods of some localities such as Wenzhou cannot be separated from their special environments, and they are only experiments, they have not yet been formed into a complete set of experiences that can be generalized. But some localities uncritically imitate [the model] and move it to their own locality while it is still in the experimental stage.

In addition to the reasons given above, there also is a management problem in the emergence of the phenomenon of "false collectives." For a period in the past there were no laws or regulations regarding private enterprise and there was no basis for their supervision. The departments supervising industry and commerce did not make strict checks or necessary investigations when they examined, registered, and issued permits to collective enterprises. Some [departments] submit to local government pressure and do not dare uphold their principles; as long as the official seal is complete, they will approve whatever is reported.

The existence of a large number of "false collectives" has already exposed some abuses and potential dangers. Their principal manifestations are in the three unclears. The first is that the nature of the system of ownership is unclear. The second is that civil liability is unclear. The third is that economic responsibility is unclear. These three unclears are very harmful to the state, to society, and to enterprises, as well as to individuals. First, if the nature of the system of ownership is not clear, there are

two principal abuses as regards the state and society. One is that it is detrimental to the state in macromanaging enterprises. The state cannot implement its policies and regulations and has no way to effectively carry out supervision and administration. The constant increase of "false collectives" could endanger [the position of] socialist public ownership as the principal system of state ownership. Quite a few collective enterprises are only a front, a meaningless name to cover what is actually private economy. The other is that by reducing state tax revenues private enterprises enjoy preferential treatment that they should not have; they take from the state to enrich individuals and place state-run, collective, and private enterprises in an environment of unfair competition. As far as collective enterprises are concerned, it damages their reputations. After they are affiliated with a collective enterprises, individual industrial and commercial households and private enterprises are not restricted by the collective enterprise in production, sales, supply, or any other business activities. They do their own thing; the collective enterprise is indifferent to them, and merely collects the administrative expenses. Thus it is difficult to avoid having some individual industrial and commercial households and private enterprises put up a collective enterprise sign after they are affiliated with a collective enterprise and engaging in such illegal activity as speculation and profiteering, stock speculation, and mixing the real and the fictitious. Second, unclear civil liability causes problems for the judicial organs in trying economic cases. The legal representatives are the approved representatives [listed] on the "false collective's" business permit, mostly village cadres, and [the enterprise's] economic nature is "collective." But, because the assets belong to a private person and the "contract" is managed by a private person, its actual economic nature has changed. Therefore, when there is an economic dispute, it is extremely difficult to try the case, especially when law enforcement organs want to deal with some managers who can shirk responsibility for violating the law in [their] businesses; [this] ultimately leads to wrangling back and forth. Third, because "public" and "private" are not distinguished and legal responsibility is unclear, economic responsibility is also unclear. Whenever a "false collective" enterprise incurs a business loss and the private person has no way to repay it, the collective enterprise becomes the "scapegoat," causing departments responsible for some trades to suffer economic losses that they should not have to suffer.

In addition, the appearance of "false collectives" fosters the thinking among some rural cadres that they should be content with things as they are and not seek development. Some rural cadres believe that letting individual industrial and commercial households and private enterprises operate with a collective permit is a business without capital that "ensures a stable yield despite drought or excessive rain," and [creates] a considerable amount of economic revenue that the village can rely on for paying wages, routine administrative expenses, and bonuses. At the same time, "false collectives" depend on

various preferential conditions to further cultivate an economic consciousness that is dependent, lacking in long-term operational planning, concerned only with short-term profits, and lacking modern products. It also fosters negative things that accompany the private ownership system at the same time, such as being intent on nothing but profit and benefitting oneself at the expense of others, and it encourages fraudulent practices in society, especially in administering enterprise registration.

To sum up, the phenomenon of false collectives has been produced along with reform and along with the development of a multisector economy. The problem that this phenomenon gives rise to reflects the contradiction between the direction of the new system and the ideological concepts of the old system; the solution of this problem will ultimately depend on perfecting the new system. It depends on establishing a new order integrating the market mechanism with the planned economy and on rejuvenating people's ideological concepts. The author believes that we should distinguish individual industrial and commercial households and private enterprises from collective enterprises in the following four ways:

1. Theoretically and legally establish the position which private enterprises should have. China is still in the initial stage of socialism and developing productive forces is the central task. Developing several economic systems of ownership [based on] the premise that public ownership is the principal system is a necessary condition for the rapid development of productive forces. We want to continue to create a good atmosphere of public opinion for private enterprise and we want to make them feel that there is nothing dishonorable about being a private entrepreneur, as long as they operate within the law. [We also want them to feel] that they are necessary to developing socialist productive forces and that they serve the great task of the motherland's "four modernizations" just as the other systems of ownership do. At the same time, we want to gradually create relatively fair competitive conditions for them, including such aspects as tax burdens, loans, foreign commerce, and the excellent product award, all of which should properly reduce or eliminate the disparity with collective enterprises, thereby encouraging them to conscientiously tear down the "collective" sign and put up a private sign with assurance. As long as there is the mechanism to distinguish their property from individual or family property, they can independently assume civil liability and should acknowledge their status as legal persons.

2. Conduct a planned re-registration of "affiliated enterprises." The state promulgated the "Provisional Regulations on Private Enterprise" and the means of implementation. We should resolutely carry out [the registration] in accordance with the stipulated regulations and the means of implementation. Based on investigation and study, [we should] conduct a planned, re-examination and re-registration of those affiliated enterprises by stages and groups to clear up the economic

nature of these enterprises in order to strengthen the supervision and administration of these enterprises.

3. Administer private enterprises in accordance with the stipulations of the "Provisional Regulations on Private Enterprises." Presently a number of local private enterprises come under the supervision of the village enterprise departments. This stands in the way of resolving the "false collective" problem. At the same time it also weakens the administration of all private enterprises. Therefore, in accordance with the stipulations of the "Provisional Regulations on Private Enterprises," we should administer and supervise private enterprises by industrial and commercial administrative organs, and all departments responsible for trades should conduct professional guidance, service, and administration of the production and business activities of the enterprises.

4. Strengthen leadership in administering enterprise registration, pay attention to the professional training of the people who administer the registration, and enhance their political quality and professional level. Aspects of the business such as the trade, the scope, and the model should be strictly examined. There is a lack of initiative to resolve the affiliated enterprise problem. This tendency should be corrected. In resolving the "false collective" problem we should thoroughly understand and investigate and study [the problem] further. With regard to affiliated private enterprises, it is necessary to seek truth from facts, call them by the correct name, and approve proper private enterprise "business permits." At the same time, we should further strengthen the ideological and political education of those who administer registration, foster strict and impartial concepts of law and discipline, achieve a clean government, uphold principles, and work and administer according to law. The administration of industry and commerce is formidable policy work involving administration and law enforcement. People who register enterprises must constantly augment their study of the party's current general and specific policies and their study of laws and regulations in order to enhance the professional level of policy. Only then can they adapt to the requirements of new developments. Only by giving full play to policy deterrents and strictly distinguishing "public" and "private" economic natures will the collective and private enterprise economies soundly develop along the socialist road.

Departments administering to industry and commerce are presently using the law to correct the phenomenon of illegitimate false collectives, and they are achieving obvious results. But there are also quite a few obstacles. Several [cases in which] the facts are clear and which should be corrected according to relevant regulations have been off and cannot be corrected. This phenomenon merits serious attention. An important aspect of these obstacles is that some local administrative leaders block and oppose correcting the false collective phenomenon. They believe that if the name of the enterprises is corrected and they become private enterprises, it would not be as easy to administer to them, and in addition

local finances would lose revenue. After all, although the state could collect more tax payments, having fertile water [finances] flow into everybody's field is not as good as local finances collecting a little more. This attitude should be changed.

FOREIGN TRADE, INVESTMENT

New Exchange Rate Prompts Commodity Price Rules

90CE0200A Beijing JIAGE LILUN YU SHIJIAN [PRICE: THEORY AND PRACTICE] in Chinese No 3, 20 Mar 90 p 55

[Unattributed article: "Regulations on Affected Commodity Prices Following Exchange Rate Adjustment"]

[Text] On 26 December 1989, in accordance with the "State Council Circular on Relevant Issues Following Exchange Rate Adjustment," the State Commodity Prices General Administration issued regulations on commodity prices affected by adjustments in the exchange rate:

1. Prices for commodities imported under the state foreign exchange plan, including grain, chemical fertilizers, pesticide intermediates, phosphate rock, wood pulp, alkylbenzene, sodium pentachlorophenate, nonionic surfactants, and other commodities stipulated by the state, will continue to be set based on prices for identical domestically produced goods. Price adjustment for products allocated for foreign trade must be examined and approved by the State Commodity Prices General Administration. Increased losses on imports incurred after the exchange rate was adjusted will continue to be subsidized through central government revenues.

2. Imported goods that already carry a price set by a foreign trade agent will continue to be priced based on the agency price. Agent commissions will be maintained at current levels, and may not be raised. Wherever import processing fees need to be adjusted, the composition of agent commissions needs to be changed, or additional fees need to be imposed, these cases must be reported to the Ministry of Foreign Economic Relations and Trade and the State Commodity Prices General Administration for examination and approval. As for domestic supply prices for imported commodities and materials, the following rules apply: no state-fixed prices may be raised without approval; wherever there is a maximum uniform price, if the agent price is lower than the maximum price, the agent price will remain in effect; wherever the agent price is higher than the maximum uniform price, the links in the chain of circulation must tighten expenses and reduce the ratio of operating costs, for in principle they must apply the maximum uniform price; when this is truly impossible and it is necessary to import the item, the case must be examined based on regulations stipulated in the circular Pricing Review

Note No. 195, issued jointly by the State Commodity Prices General Administration and other departments concerned (in 1989).

3. Where the domestic supply price for imported raw materials has increased due to the adjusted exchange rate, production enterprises must strive to absorb this increase. No product which earns a profit may increase in price. Where commodity prices must be adjusted, there must be reporting and examination strictly within the jurisdiction of commodity price management. Where the price of commodities managed at the various levels of government is revised upward, the practice of reporting to the State Council for special approval will continue. As for previously deregulated commodity prices, where commodity pricing departments at any level stipulate reporting prior to any price increase, such reporting must be done strictly in accordance with regulations.

4. Domestic procurement prices for export commodities must be set strictly in accordance with the domestic sales principle of similar price for similar quality, and superior price for superior quality. No department may exceed its authority to arbitrarily raise the price of commodities under state price management, nor may there be covert price increases. Where there is a maximum procurement price for export products in declining demand, that price must be firmly enforced. We must enhance supervision and examination of export commodity procurement prices and, where pricing regulations are violated, the case should be investigated in accordance with Pricing Inspection Note No. 218, "Regulations for Punishing Unlawful Pricing Activity," issued by the State Commodity Prices General Administration (in 1988).

5. As for commodity prices on goods sold in the marketplace by friendly shops, companies that supply foreign visitors, and the various hotels serving foreign customers, all those accepting foreign exchange notes may, subject to approval and within the limits of their authority over various commodity prices, increase prices where appropriate at a rate lower than the recent adjustment in the exchange rate.

Exports of Nuclear Industry Products Rise

OW1507170690 Beijing XINHUA Domestic Service in Chinese 0330 GMT 15 Jul 90

[By reporter Hu Nianqiu (5170 1628 4428)]

[Text] Beijing, 15 Jul (XINHUA)—At present, our country's nuclear industry exports over 50 different kinds of products for civilian use. This represents an increase of nearly 10 times over the kinds of such products exported 10 years ago. The total amount of foreign exchange earned from the export of these products last year was 26 times higher than that recorded in 1982. These products are sold to more than 20 countries and regions in the world.

According to the latest information provided by the China National Nuclear Industry Corporation, the nuclear industry front, which at one time almost entirely or partially closed its doors to the outside world, has trained over the past 10 years or so a contingent of personnel specialized in handling foreign economic relations and trade. So far, one fourth of the major enterprises, institutions, and units of our country's nuclear industry are in a position to export their products and earn foreign exchange.

The nuclear industry also has achieved some successful results in utilizing foreign funds as well as in importing technologies and equipment. The amount of contracts utilizing foreign funds reached \$160 million as of the end of last year. The importation, utilization, and assimilation of crucial equipment and technologies have played an important role in ensuring the construction of nuclear industry projects, stepping up scientific research, and promoting technological advances. Meanwhile, in recent years, the nuclear industry also has taken advantage of the coastal areas' quick access to information and convenient communications to set up nearly 70 "window" [showcase] enterprises in those areas to introduce foreign investment and to establish lateral ties at home as well as conduct technological exchanges and cooperation with foreign countries. It has achieved a certain degree of economic results in this endeavor.

Hebei Welcomes Foreign, Taiwan Investors

OW1407082390 Beijing XINHUA in English
0627 GMT 14 Jul 90

[Text] Shijiazhuang, July 14 (XINHUA)—China's northern province of Hebei has decided to open 1,400 industrial enterprises in its Bohai Bay economic development area to foreign investment in an effort to further promote international co-operation, according to a local official.

Deputy Governor Ye Liasong told XINHUA that the province will also allow the transfer of state land-use rights to foreign investors for large-scale development in the development area.

He said that the province will hold two investment symposiums later this month—one for business people from Taiwan and the other for business people from other parts of the world.

Some 208 projects are ready for negotiations at the symposiums, covering textiles, building materials, chemicals, medicines, metallurgy, electronics and electrical machines.

At the same time, Ye said, the province will announce 50 projects involving imports, while launching negotiations on labor services, technical exports, tourism and invitation of foreign experts.

He predicted that more than 1,000 overseas business people will come for the symposiums. The Taiwan

investment one starts on July 23, and the other, July 25 at the summer resort of Beidaihe.

Hebei has already established economic and trade ties with 120 countries and regions. It launched 73 foreign-funded enterprises in 1989 and 36 in the first half of this year.

The deputy governor said that the province will try to attract loans from international financial organizations such as the World Bank and other foreign banks, and improve infrastructure facilities, including highways, railways, harbors and telecommunications.

Sichuan Seeks To Expand Exports

HK1207025190 Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) in English 12 Jul 90 p 3

[By Cheung Lai-kuen]

[Text] Sichuan, a major province in central China still facing a shortage of capital for economic development, has set a target to export goods worth US\$1 billion (HK\$7.8 billion) this year.

As part of its campaign to lift its overseas sales, the provincial government opened a Sichuan industrial products export fair yesterday in Wan Chai.

Shi Liangxiu, deputy director of the province's committee of foreign economic relations and trade, said at the fair's opening yesterday that Sichuan had exported goods last year worth US\$950 million. The major difficulty was that Sichuan's export firms lacked development capital, although the central government had relaxed credit restrictions for some industries.

It had increased the region's credit limit for some export firms and for some key industrial projects.

"We understand our country is still adopting an economic austerity policy and we will try our best to help solve the problem," he said.

Mr Shi said Sichuan had exported products worth US\$470 million in the first half of this year. This was 8 per cent better than its performance for the period last year.

"Sichuan exports a huge amount of merchandise to other provinces which is worth to about US\$200 million a year," he said.

Mr Shi said that firms in China's coastal cities went to Sichuan to buy its products.

"The situation has improved a lot since last year because the central government has asked special economic zones to turn over the same percentage of foreign exchange as hinterland cities and set up more export controls on high-demand products," he said.

But Mr Shi said that competition in China to buy high-demand products was still intense. Sichuan province was not so conveniently placed or as well-informed as coastal cities, so it would put more effort into developing higher technology products such as machinery.

Mr Shi said a hydroelectric power station for Sichuan, with a capacity of 3.3 million kilowatts, had been suspended because the development capital was to be provided by the World Bank.

The total investment would cost hundreds of millions of US dollars.

But the World Bank had suspended all loans to China which aimed to support economic development.

PUBLICATIONS

JINGJI XIAOXI Changes Name, Format

90P30064A

[Editorial Report] The 4 July 1990 issue of the Chengdu newspaper JINGJI XIAOXI announced on page 1 that it was officially changing its name to JINGJI XIAOXI BAO. The paper, approved by an "upper-level news publishing department," has increased its size from a four-page double truck to a four-page full-size newspaper. Its publication frequency has changed from three to two times a week. Added to the newspaper's new masthead was the English translation of its name, ECONOMIC INFORMATION NEWSPAPER. The subscription rate remains unchanged, but the retail price has gone up 0.05 yuan. Although there was no other noticeable difference in content from the previous publication, two-thirds of page 3, titled "Industrial Enterprises," was devoted to a single topic, "Suzhou's Famous Great Wall Brand of Electrical Fans." The editor's note indicated that Suzhou Electrical Fan Corporation had just reorganized into the Great Wall Appliance Conglomerate with itself as the main body. There were four articles discussing the Suzhou Plant's more than 20 years of contributions in light industry, its total output, fixed asset value, production developments and strategies, and future marketing plans. The rest of page 3 and all of page 4 were devoted to advertisements for industrial enterprises from various provinces, including one by the PLA's No. 6444 Plant.

AGRICULTURE

Planned Management Needed in Cotton Industry

90CE0284B Beijing JINGJI RIBAO in Chinese
14 Jun 90 p 1

[Article by Shi Jianwei (0670 1696 0251), Cotton and Flax Bureau, Ministry of Commerce: "Cotton Production and Circulation Must Come Under Planned Management"]

[Text] The application of planned management to cotton production and circulation is indispensable to the devel-

opment of the socialist economy. Whether the production and circulation of a commodity should come under command planned management, guidance planned management, or market regulation should be determined not by the subjective wishes of an individual or department, but by the relationship between that commodity and national economic development, the special characteristics of the commodity, and the basic conflicts in its supply and demand relations. All major cotton-producing nations in the world, including capitalist nations with a market economy, have created cotton management offices within the government to carry out administrative intervention in the production and marketing of cotton. In China, the supply and marketing cooperative monopolizes the production and circulation of cotton at the behest of the state. It can be described as the most rigidly "managed" commodity in the current agricultural products circulation system in the nation and has to meet the most stringent planning requirements.

These are the principal justifications for imposing command planned management on the production and circulation of cotton.

First, only some parts of the nation produce cotton, but the demand is nationwide and comes from all sectors. Eighteen provinces, regions, and municipalities in China produce cotton, of which Hebei, Shandong, Hunan, Jiangsu, Hubei, Xinjiang, and Anhui account for about 90 percent of total output. They are also the only places that grow enough cotton for "export" to the rest of the nation. As for consumption, there are 900 million people across China who do not grow cotton themselves and have to depend on supplied cotton to meet their need for cotton. Industries such as light industry, chemical industry, arms industry, and pharmaceutical industry also have a heavy demand for cotton. The leading user of cotton is the textile industry; there are about 7,000 textile plants all over the nation. But such key cotton-spinning industrial bases as Beijing, Tianjin, Shanghai, Shenyang, Xian, Chongqing, and Guangzhou are located in areas that produce little or no cotton and have traditionally relied on cotton shipped from major cotton-producing areas by the state. Owing to the constraints of geographical position, climatic conditions, and production habits, this situation will be with us for a long time to come.

Second, the importance of cotton and the need for strict policy and price management. Cotton and its related primary processing industry are a pillar of the economies of the vast cotton-producing areas, with total procurements and sales each year worth about 40 billion yuan. Not only are they the chief source of incomes of 200 million cotton growers, but they are also closely related to local economic development and revenues. As for the textile industry, whose primary raw material is cotton, it is critical to the development of the Chinese economy. Textile enterprises owned by the whole people employ

10 percent of the population and account for a similar share of the nation's gross value of industrial output. The industry leads the nation in export foreign-exchange earnings and is second in terms of profits and taxes paid to the state. Precisely because cotton is so closely tied in with the nation's economy and because its production and circulation reflect the relationships between cities and countryside, between industry and agriculture, and between the state and peasants, the state has historically applied a strictly centralized policy and prices to the production, purchase, and marketing of cotton. This form of management has ensured and promoted its planned steady production growth. Not only has it exercised effective leverage in coordinating the production, purchase, and marketing of cotton, but it has also played a constructive role in stabilizing the market and prices.

Third, demand explosion and a shortage of output. The explosion of cotton demand which began in the second half of 1985 can be described as a turning point in consumption. This kind of demand explosion occurred in response to both domestic and international market conditions and has not been brought under effective control thus far. Its characteristic is an unchecked growth of spinning capacity. At present the nation's spinning capacity has reached 35 million spindles, requiring 5 million tons of cotton in all. However, cotton production has not emerged from the doldrums; it has been languishing near the 400-million-ton mark for the past few years. The result: a significant gap between the amount of cotton available and the volume of demand. Under these circumstances, if we simply let the law of value work its effect spontaneously, a procurement war will inevitably break out, with vastly disruptive effects on the price index, market stability, and social stability. The consequences will be very serious. The only correct approach is to step up planning and continue with strict planned management.

The work of the planned management of cotton is hampered in some ways. To promote local economic interests, the administrative leaders of certain cotton-producing areas give local cotton mills preference in the supply of cotton and fail to implement the supply plan issued by the state or put off implementing such a plan using all sorts of excuses. In more graphic language, this is an instance of "empire-building." Since this situation occurs more frequently in major cotton-producing areas, it has seriously affected the normal production of textile enterprises in consuming areas. The uncertainty surrounding their raw material supply has created insurmountable difficulties for these large enterprises owned by the whole people and the nation's textile bases, resulting in an element of instability. The market economy, however, provides no recipe for ending our predicament. The only correct approach is to intensify planning, emphasize the strictness of planning, proceed from the general interest, correctly handle the relationship between national interests, local interests, sectoral interests, and enterprise interests, and carry out the

national plan in earnest so that limited resources are more rationally utilized to meet the basic needs of the state and the people.

Insect-Resistant Gene Bred Into Cotton Plant

OW2707063690 Beijing XINHUA in English
0616 GMT 27 Jul 90

[Text] Beijing, July 27 (XINHUA)—Chinese scientists have succeeded for the first time in breeding a cotton plant with a transferred insect-resistant gene, according to today's "PEOPLE'S DAILY".

At present, boll weevils destroy 15 percent to 30 percent of China's cotton crop every year.

Professor Fan Yunliu and Ph.D. candidate Xie Daoyi of the Bioengineering Technology Research Center of the Chinese Academy of Agricultural Sciences co-operated with the Jiangsu Provincial Academy of Agricultural Sciences to develop the new cotton plant.

The researchers separated an insect-killing gene from *bacillus thuringiensis* and introduced it into the cotton plant.

Dairy Production Falls in Shanxi

90CE0298B Taiyuan SHANXI RIBAO in Chinese
2 Jun 90 p 3

[Article by Yu Xizhi (0060 6932 4363) and Liu Mingxiang (0491 2494 4382): "Slide in Milk Cow Production at State-Run Dairy Farms Should Draw Attention"]

[Text] In Shanxi Province there are 12 state-run dairy farms, which are primarily composed of milk cows. They have a total of a little over 700 [figure as published] black and white dairy cows. They shoulder about 70 percent of the task of providing cities with fresh milk. Of the powdered milk they provide accounts for more than 50 percent of the province's total output. However, in recent years there has been a falling off; in 1989 the annual unit-output was 550 to 600 kilograms less than in the year with the highest output, and the total output of milk fell about 10 percent.

The main reasons for the slide in milk cow production are: First, the price of feed has risen and the cost of raising the cows has multiplied, widening the gap between investment and output parity. Before 1984, 1 kilogram of milk could be exchanged for 2 kilograms of mixed feed, but now 1 kilogram of milk can be exchanged for only 1 kilogram of mixed feed. There is a great difference in the nutritional values of milk and soft drinks. Milk is higher in nutritional value and is also more complex, but the prices of the two are about the same. According to statistics, if the price of feed goes up in only one item, each farm must pay out over a year more than 4 million yuan, the cost of rearing each cow increases more than 360 yuan, and in addition wage and welfare costs go up and the price of other raw materials increases. The profit from raising one cow in 1985 was

about 500 yuan; now it is a losing proposition. Also, because the economic results of raising milk cows are low, the management in raising milk cows has become slack. In particular, importance is not attached to the breeding of milk cows and the fostering of calves. They are fed with whatever is at hand, a practice that cannot satisfy nutritional needs. Contract households attach much importance to income and little importance to investment, and they have a serious problem of short-term behavior. Considering the difficulties of the grain departments, the financial departments should give subsidies or directly allocate funds to farmland reclamation enterprises.

Second, at present, of the milk cows' share of circulating funds, each head has about 1,000 yuan; the share is large and the share period is long. The financial departments or the banking departments should be asked to help the enterprises to solve their difficulties by alleviating the serious shortage of enterprise funds with medium- and long-term no interest, low interest, and discount loans.

Third, among the cattle on Shanxi's state-run dairy farms there are more than 2,500 high-yield cows that produce in their first year a unit-output of 6,000 kilograms. To preserve this type of cattle breed, the state-run farms should be given breed-preservation funds.

Fourth, in raising milk cows not only is the cost of feed high, but also the enterprise must pay various taxes. The relevant departments should be asked to take measures for deduction, delayed payment, and exemption from payment to let the enterprises keep this money, and provide subsidies to protect the milk cows, thereby playing a support role for the milk cow industry.

Fifth, it is suggested that the relevant departments not just look at their immediate interests in making money, and ship outside the province a large amount of bran and cereal cakes, first satisfying the province's industrial needs, after which the surplus is sold outside the province.

Nature, Causes of Corruption Outlined

90CM0263A Beijing FAXUE YANJIU [LEGAL RESEARCH] in Chinese No 2, 23 Apr 90 pp 25-29

[Article by Zhang Zhiyou (1728 0037 0642) and Wang Ranji (3769 3595 0370): "A Brief Discussion of the Crimes of Corruption and Bribery"]

[Excerpt] [passage omitted] II. Characteristics, Causes of Corruption, Bribery

The characteristics of the crimes of corruption and bribery include the general characteristics of criminal cases and the characteristics of criminal activities in the present stage. The content of these two aspects are:

A. It has a covert nature. The main manifestations of this nature are that illegal activities are mixed in with the legal execution of official business; there is a premeditated plan; what is infringed upon are the public finances of the state or the collective, and there is no specific victim; and in the cases of bribery (except for a small number of cases in which the bribe is demanded) there is no division into the victim and the infringer who have opposite interests, but rather there is a division into the briber and the bribee, who share weal and woe, and it is difficult to find someone who will inform against and expose the criminals.

B. It has a vestigial nature. The main manifestations of this nature are that the vestiges of bribery are generally reflected in accountancy data, and the relationship between accounts and materials are either not identical or are thought by people to exist in an altered state; and in corruption and bribery cases there are usually illicit money and bribes that can be uncovered.

C. It has a universal nature. The main manifestations of this nature are: 1) There is a tendency for cases of bribery and corruption to rise year by year, and they account for a high proportion of economic crimes. For example, in Qinghai Province, from 1980 to May 1988, a total of 367 cases of corruption and 89 cases of bribery were placed on file for investigation and prosecution, respectively accounting for 60.76 percent and 14.7 percent of the total number of economic crimes placed on file for investigation and prosecution by procuratorial organs in these years; the cases of corruption and bribery totaled 75.4 percent. Again, for example, in Wuhan City, from 1986 to 1988, 1,010 cases of corruption and bribery were investigated and prosecuted, accounting for 78 percent of all cases of economic crimes. 2) There are fairly many corruption and bribery cases in commercial, supply and marketing, banking, foreign trade, grain, construction, urban and rural contractual units, and state-run and collective enterprises. 3) At present the crimes of corruption and bribery not only occur among personnel in financial accounting, marketing, professional, and store-keeping, who are in charge of many materials; but also some cadres in state organizations, including some responsible persons in fairly high positions, have fallen into the abyss of these crimes. The extent of the criminal

activities of corruption and bribery is large, and many cases cross over counties and cities, cross over provinces, cross over boundaries, and cross over nations, with a wide area of involvement.

D. It has the nature of authority of office. The nature of authority of office means that corruption and bribe-taking are a kind of crime that makes use of posts and authority. The crime of bribery is one in which the state's working personnel, the collective economic organization's working personnel, or other personnel who deal with and manage public finances make use of the facilities of their posts to misappropriate, steal, and defraud, or by other means to illegally seize public finances. Thus, among those committing this crime are many state working personnel, leading cadres, and personnel with real authority over finances. The materialization and the transformation of authority into a commodity mean the corruption and decay of authority, and there is great harm from it.

E. It has a cunning nature. A cunning nature means that the means of committing the crimes of corruption and bribery are crafty. To prevent exposure, the criminals make use of all sorts of ways to protect themselves. For example, bribers in the past mainly "wrote an article" on accounts; now, they mostly play tricks outside accounts, but also are active in camouflage work, flattering and fawning upon people in search of supporters in high position. There are three don'ts for bribe-takers, namely: receiving money through a post office, having a third party on the scene, and receiving things without giving a receipt. Even if the briber gives evidence, the bribe-taker will not admit it, and it becomes a case in which the evidence is compared item by item, which is difficult to maintain. The crimes of corruption and bribe taking in all industries and trade are taking on more and more of the characteristics of a professional nature. These characteristics bring certain difficulties to the investigation of crimes.

F. It has a rapacious nature. The main manifestations of this nature are that, to satisfy the need for a life of luxury, the criminal constantly commits crimes and the amount of money involved becomes larger and larger. For example, of 25 cases of bribery in a certain city, over half were second offenses, and some had even been committed by the same criminal several dozen times. Again, for example, the professional engaged by a materials service company in a certain province embezzled at one time the huge sum of 2.4 million yuan.

G. It has a collaborative nature. The main manifestations of this nature are collaboration from within with forces from without, in which persons on the inside steal something that is smuggled out by persons on the outside and changed into money, after which the two parties divide the spoils—this is a form of corruption in which there is a mutual exchange of conveniences; in signing a contract, a person sells out the interests of the state or the collective for a bribe; taking a bribe from a labor contractor who is seeking private gain; taking a bribe

from an applicant for providing "conveniences"; and receiving a "sales commission" from a businessmen who is illegally seeking private gain.

H. It has an intertwining nature. Intertwining nature means that the crimes of corruption and bribery are often intricately mixed together with other crimes. For example, some corrupt elements use public property gotten by graft to bribe others, and, by weaving together a network of connections, seek advantages for themselves; some use the property for smuggling; some use the property for speculation; and some use the property for gambling. In brief, this crime is intertwined with that crime, and there are very few single-type crimes.

I. It has a sudden occurrence nature. Sudden occurrence nature means that the crimes of corruption and bribery often occur suddenly at a time or place, or against an object, unexpected by people. That they possess a sudden-occurrence nature is because some people want to take the opportunity of the great development of the socialist commodity economy and the large-scale circulation of people, finances, and materials, to reap big profits. Therefore, providing they encounter an opportunity they will immediately think of committing a crime, unscrupulously risking everything on a single crime.

J. It has the nature of intelligence and capability. The nature of intelligence and capability means that the criminal uses modern science and technology as the tools for his crimes. For example, computer program-control technology is used to illegally transfer the funds that other people deposit in banks.

Above are the main characteristics of the crimes of corruption and bribery. The situation is constantly changing, and the characteristics could also change. Currently in China the crimes of corruption and bribery are rampant. Ascertaining the reasons for their emergence is of important significance for bringing these crimes under control. Following are the main reasons for the emergence of the crimes of corruption and bribery:

A. The social attitude of "looking for money in everything" is the innermost cause of the crimes of corruption and bribery.

B. An important factor in the multiplication of the crimes of corruption and bribery is the "restless movement" toward high consumption and unfair social distribution.

C. The friction and the clashes during the change from the old system to the new system are an important condition for the emergence of the crimes of corruption and bribery.

China's socialist economic system is changing from a product economy to a planned commodity economy. During the change from the old system to the new system, the two systems coexist, the two kinds of prices coexist, the two kinds of markets coexist, and the two

social psychologies coexist. With the various readjustments of interests, the new system is very unsound, and the old system has not yet lost its effect. The frictions and the clashes between the new system and the old system unavoidably cause various contradictions and loopholes. This gives corrupters and bribers loopholes through which they can take advantage. For example, with the loss of control of the "dual-track price system," some lawbreakers, in order to obtain materials at par and materials within plan, often bribe state personnel who control materials that are covered by wholesale documents and that are in great demand; and people who have the authority to allot materials brazenly demand and receive bribes. Also, for example, the mechanisms for balancing the contract and rent systems are weak, and some people do business by taking in the funds and the account numbers of contracts and rents, thereby reaping profits for themselves. The reality is that "the Buddhist priests become poor, the temple loses money, and the temple elders become fat." According to statistics, since 1957 in Wuhan City among the criminal cases of corruption placed on file for investigation and prosecution, in 19.4 percent of the cases contracts and rents were used to commit crimes. Again, many township and town enterprises, because they lack raw materials, markets, and technologies, and so their product quality is inferior, in order to seize competitive superiority, adopt bribery as a means of opening the way for themselves. In addition, during the change from the old system to the new system, there also appear vacuums and chaos in certain management links, and the bureaucratism of some leaders opens a gate convenient for corrupters and bribers.

D. In places where legislation and law enforcement are imperfect, the crackdown on the crimes of corruption and bribery are not vigorous, and this has an important effect on the rampant nature of the crimes of corruption and bribery.

E. The lack of effective supervision and management of the state's working personnel provides a certain environment for the crimes of corruption and bribery. [passage omitted]

Jurist on Need for Promulgation of Copyright Law
OW2007210390 Beijing XINHUA in English
1358 GMT 20 Jul 90

[Text] Beijing, July 20 (XINHUA)—China's ongoing reform and its booming commodity economy are making it necessary for its intellectual property laws to stick to international standards.

Professor Zheng Chengsi, of the Law Institute of the Chinese Academy of Social Sciences, stressed this when he said recently that the trademark law, promulgated in 1982, has played an important role in protecting the trademarks of Chinese enterprises and foreign enterprises in China. The over 240,000 trademarks registered by the end of last year made China one of the top ten countries in the number of trademarks in the world.

China's criminal law, general code of civil law, law of succession and other related laws issued in the last few years have all confirmed the legal status of intellectual property and have laid the groundwork for patent rights, trademark rights, copyrights and the rights of scientific discovery, Zheng explained.

In the past five years a total of over 11,000 patent items have been applied to production.

Zheng said however that the present trademark law is not effective enough to protect trademarks since China still doesn't have its own unfair competition law.

The jurist called on related departments to work out an unfair competition law as an effective complement to the existing trademark law.

Zheng, who was named a national expert for his research in the field of intellectual property, said it is imperative for China to promulgate a copyright law in line with international standards and suiting the nation's modernization drive.

Beida Freshmen Complete Military Training

OW1307234790 Beijing XINHUA Domestic Service
in Chinese 0819 GMT 9 Jul 90

[By reporter Chen Hui (7115 6540) and correspondent Liang Jianmin (4731 1696 3046)]

[Text] Shijiazhuang, 9 Jul (XINHUA)—After nearly a year of military training at the Shijiazhuang Army College of the Beijing Military Region, the 728 freshmen admitted to Beijing University [Beida] for the 1989 academic year have all passed their military, political, and academic examinations. They will return to Beijing University soon.

The university students were initiated into military training based on China's "Military Service Law" which stipulates that "students from institutions of higher learning must undergo basic military training during their studies." The aim is to train them to love the party, the socialist motherland, the people, and the fine moral values of labor, to enhance their idea of organizational discipline, and to complete their transition from ordinary youths to those with fine military and political qualities. Last year, Shijiazhuang Army College shouldered the responsibility of giving military training to all the Beijing University freshmen admitted for the 1989 academic year.

In the past year, Beijing University freshmen underwent camp and field training, conducted social surveys, and completed training in 18 courses including marksmanship, grenade throwing, individual combat, military drills, education about the different branches of the armed services, education about the foreign armed forces, education about China's fine military tradition, national defense education, classes in China's revolutionary history, education in ideology and morals, and training in Chinese and English. The average result on their examinations for all the courses was fine.

During the period of military training, leaders of the college at all levels showed the utmost concern for the students' livelihood. They took all steps to ensure their need in clothing, food, lodging, and travel were well met. In addition, they formed basketball, football, volleyball, and badminton teams, and organized all sorts of sports competitions. The recreation club was fully equipped with many literary and entertainment materials. Movies, variety shows, singing contests, and trips to martyrs' shrines were organized regularly. This rich and colorful cultural life has exerted a favorable influence on the students' feelings and improved their physique.

Life in military barracks has enabled the students to acquire a better understanding of military camps and soldiers and has greatly enhanced their notion of collectivism and organizational discipline. When training resumed after the winter vacation, students from the 29 provinces and municipalities all reported back on time. Smoking was banned during the military training, and drunkenness and fighting disappeared altogether. The

students' value of themselves also went through changes. They were able to understand for whom they live and how to conduct themselves in society. At their own initiative, the students formed over 40 groups for the study of Marxism-Leninism, and over 30 groups for the study of Lei Feng. Everybody vied to take part in voluntary labor, and chivalrous deeds were done all the time. More than 200 freshmen submitted their applications to join the party, and 38 were admitted. The ability to look after themselves also improved markedly. They managed to get rid of the habit of a carefree and pampered life. They cultivated the virtues of bearing hardships and having good manners. Many of their parents wrote to express satisfaction with their children's maturity, and thanked the college for their children's training and education. In April of this year, leading comrades from 93 secondary schools and colleges inspected the army college. They determined that military training for university students is a good practice and helps to develop the students' morals, intelligence, physique, and aesthetics.

First Naval Ocean Navigation Trip

90CM0146A Beijing JIANCHUAN ZHISHI (NAVAL AND MERCHANT SHIPS) in Chinese No 3, 8 Mar 90 pp 2-3, 5

[Article by Vice Admiral Zhang Xusan [1728 1645 0005], Navy deputy commander and chief of staff: "First Naval Ocean Cruise"]

[Text] In May 1983 the Navy arranged the first long-range ocean cruise in the history of the People's Navy. As the commander leading the marine formation on this profoundly significant cruise, I felt very honored and proud.

This long-range cruise covered a wide area, was of long duration, involved many personnel, and had not occurred since the founding of the Navy. The marine formation went by way of the Xisha Islands [Paracel Islands], Natuna Islands, Zengmu Ansha, the west coast of the Philippines, the Balintang Channel, the Liuhe Archipelago, the Daou Straits, Zhoushan Island, and the Taiwan Strait. We covered 27 degrees of latitude north to south and 32 degrees of longitude east to west. We sailed the South China Sea, the East China Sea, and the western Pacific. We took 30 days, sailed 459 hours and 10 minutes, sailed a distance of 6,721.4 nautical miles, and completed our mission and wrote a new page in the navigational history of the People's Navy.

Cruise Preparations

The formation for this long-distance cruise was made up of the X-950 oil and water tender and the Y-832 transport ship of the South Sea Fleet and had as its goal to familiarize naval vessel cadres with the ocean region, to have them become proficient in navigational technology, and to improve long-distance capability. Participants in the exercise included 85 naval vessel commanders, professionals, and chief navigators, 15 school and college

instructors, 40 naval and fleet operations navigation protection system cadres, 13 scientific research cadres, and 235 sailors, for a total of 388 cadres and sailors.

In March 1983 the Navy transmitted advance notice of the long-distance cruise and fleets began to select students. The South Sea Fleet organization emphasized such preparatory work as equipping and repairing the two ships; adding the chart table, navigational instruments, and charts and books to be used in the exercise; and supplying everyday utensils. On 4 May, the personnel from the fleets participating in the exercise assembled at Zhanjiang and, on 5 May, they underwent a thorough examination. Then there was on-shore targeted training: Review of the theory and basic operation and calculation of satellite navigation, celestial navigation, and radio navigation, study of such things as the use of weather facsimile machines, weather-map reading, and weather forecasting, and study of the marine area. On 14 May they underwent a presailing assessment.

On 30 April 1983 the Navy party committee announced the selection of the formation commander for the marine exercise. At the time, I was the Navy deputy chief of staff, and the Navy party committee designated me as commander of the marine formation. Zhang Shouying [1728 1343 3467], deputy chief of staff of the Guangzhou Base was made deputy commander; Yang Furong [2799 4395 2837], political commissar of the South China Sea Fleet pursuit detachment was made formation political commissar; and Song Changde [1345 7022 1795], deputy detachment commander, was made formation chief of staff. On 8 May a temporary formation party committee and command post were set up and began work. On the 14th, the command post and the naval vessel commander exercise group of 56 persons boarded the X-950; the command post preparation and undersea and surface naval vessel sea-going cadre exercise group of 97 persons boarded the Y-832. On the 16th, the marine formation set sail from Zhanjiang and conducted two days of adaptability training. On the 18th at 8:15 [AM or PM not specified] they formally set sail from the Dahuangjiang anchorage.

Straight Through the Nansha

At 6:52 [AM or PM not specified] on 19 May 1983 the marine formation reached Yongxing Island [Woody Island] in the Xisha Islands and I ordered the formation to drop anchor. Some personnel debarked to become familiar with the Xisha region, but most personnel stayed on board checking the chart observations to understand the terrain of the Xuande Islands [Amphitrite Group]. At 9:59 [AM or PM not specified] the formation weighed anchor, set sail and sailed straight through to the Nansha Islands.

I stood on the bridge scanning the sea with a pair of binoculars. I saw only miles of clear sky and the vast clear sea. There were no waves; one could hardly see a ripple. It was like a gigantic piece of blue glass set in the

sea. It was morning and I chanced to see some thin fog above the surface of the sea, like a piece of gauze lightly covering the face of a beautiful girl. The Nansha Islands were so sacred and lovely.

Seeing the vast and immeasurable coastal areas and territorial seas, my thoughts were drawn to ancient times. Nansha has been Chinese territory since antiquity and a long time ago our ancestors left traces of their visits here. During the Three Kingdoms period, Sun Quan of the Kingdom of Wu sent Zhonglangjiang Kang Tai and the traveler Zhu Ying to tour the Nanhai. Kang Tai's *Funanzhuan* [*Story Supporting the South Seas*] analyzed the formation of the Nansha Islands. In the fifth year of the Zhenyuan reign period in the Tang dynasty (AD 789) Nansha was placed under the jurisdiction of the Jingzhou [Region] Dufuguan. Supervisory ships frequently patrolled the Nansha region. In the Ming, China's famous navigator Zheng He commanded a large fleet seven times to the Western Ocean and went through the Nansha Islands over 10 times. In the Kangxi reign period of the Qing dynasty, the Guangdong Vice Admiral Lu Bi sailed on a warship to patrol the South Sea islands. After the victory in the War of Liberation, the Chinese government of the time stationed soldiers on Nansha and the islands in the Pacific and established a Nansha Islands Management Office and many times sent warships to patrol the Nansha. Today, the Chinese People's Navy has repeatedly sent marine formations to patrol here. I was one of the people on this southern patrol formation and I was very excited. China's Navy has assumed the glorious mission of unifying the ancestral land, resisting aggression, containing war, safeguarding ocean rights, and protecting socialist modernization. North to the Yalu River and south to the mouth of the Beilun Jiang, the ancestral land has handed over to us the long coastline, the vast sea area, and the gateways to half our territory. Every time we travel a thousand li or sail and patrol, we exercise territorial sovereignty on behalf of the ancestral land. We cannot be unfaithful to this trust, for wherever there is the ancestral land's blue realm there we are!

During the cruise I paid careful attention to our goal, the Nansha region, and each time I saw a reef I felt very kindly towards it. One day, a "green screen" appeared on the sea not far from the formation. From the captain's poring over the charts we knew it was the highest point on an island in the Nansha Islands. At the time, there were white clouds all around in the sky over the islands, but a gap in the clouds revealed the setting sun, a riot of color. It was very beautiful. This was the doldrums. Soon a tropical jewel-shaped cloud appeared. It was a gold color and shaped like a mushroom, just like an enormous jewel. Sometimes clouds would appear and it would rain, but soon the clouds would disperse and the sky would clear. Occasionally we saw little water spouts spiraling upward and rotating very rapidly. But soon they would stop. The waves were calm so it was a good opportunity for taking sights. The exercise personnel put great emphasis on morning and evening sightings and on

practicing determining the sun's position, meridian, and altitude, with good results. But sometimes the horizon was indistinct and this affected the precision of the sightings. The course we took on this exercise was close to the international sea lanes from Guangzhou and Hong Kong to the Strait of Malacca. Many ships passed; container ships, mixed cargo ships, oil tankers traveling north and south shuttling back and forth. At 13:35 on 21 May, about 40 nautical miles distant we spotted the 273 meter-high (Laut) Island in the Natuna Islands. Near the Natuna Islands the fog was very dense like cotton or a waterfall. The clouds in the sky above were a riot of color and through gaps in the clouds there was a myriad of sun rays. It was a grand sight.

The officers and men on the cruise harbored strong sentiments about the ancestral land's Nansha and, except when they were on watch, they would rush onto the deck to appreciate the charming and beautiful scenery. He Mingde [0149 2494 1795], the old ship captain who was with me, expressed his love for the Nansha Islands in a different form. When sailing through the Nansha Islands, I saw him record in detail the navigational method of sailing through the reefs, the Nansha's navigational markers, obstructions, weather, sea conditions, water depth, direction of the current, the speed of the current, and the latitude and longitude of the reefs. He said, "We are the children of the Chinese people, and we should improve the charts drawn by our forefathers to facilitate the future development of Nansha and the building of Nansha." His records later provided valuable materials for study of the present state of Nansha and study of China's modern maritime history.

Anchored at Zengmu Ansha

At dawn on 22 May the formation reached Zengmu Ansha. At 7:35 we took a satellite position and discovered the Baxian Ansha buoy. The people on board surged onto the deck and with great excitement searched for the Zengmu Ansha buoy. I immediately ordered the formation to reduce speed. The indication that we were near 3°58'8" North and 112°17' East: the geographical coordinates for Zengmu Ansha. "Light buoy! Light buoy!" someone shouted. We saw only a black spot far away off the ship's bow drawing nearer and growing larger, rocking left and right looking like an exclamation mark and welcoming the approach of our cruise formation.

"We've reached Zengmu Ansha!" "We've reached Zengmu Ansha!" The ship was immediately astir. Telescopes, cameras, bearing glasses, and pickup cameras were all aimed at the light buoy. The whistles of the two ships celebrated the first arrival of our People's Navy formation at the southernmost border and furthest outpost of China's territory: Zengmu Ansha.

At about 8:00, I ordered the formation to drop anchor at Zengmu Ansha. At 8:16, ship 950 dropped anchor at 3°57'7" North, 112°18'7" East, in gray silt with a depth of 48 meters of water. The two ships moored abreast, the

whistles blew a long blast and the flag flapped in the breeze. Everyone ran onto the deck to hug each other and the officers and men were very moved. I came down from the bridge and an NCNA [NEW CHINA NEWS AGENCY] reporter on the cruise ran up with his camera and said to me: "Today you have led us to Zengmu Ansha. This is a very significant moment. I'll take your photo as a souvenir." I was naturally happy to hear this so I got hold of several staff officers who were with me and had him take several memorable photos from different angles with the reddish-brown, rust-spotted light buoy as background.

Then I inspected the battle stations of the two ships and saw many young comrades writing poems, drawing pictures, and taking notes. Looking at the beloved Nansha, it took a long time for my heart to calm down. On this patrol of the Nansha, the sea was complex, the cruise was long, and the formation got some very good training. Facing Nansha, this national territory that has been encroached on by others, we understood better that even in peacetime we cannot relax our fighting will in the least, but must firmly establish our concept of struggle. I was in charge of naval ship training and felt profoundly the importance of the task. The ancestral land's marine borders are so vast that we definitely should strictly demand and strictly train and strive to improve our combat ability at sea, improve our military skills, and protect the marine borders of the ancestral country effectively. At that time we were holding ship-board swearing-in ceremonies for new party members. During this ceremony, I delivered a talk to the party members. I said, "Ordinarily I don't talk very long, but today my remarks at the southernmost end of our ancestral country are clearly extremely significant. Today, as an old party member I here also take a vow to the party, to the ancestral land, and to the people with all of you! Communist Party members should struggle all their lives for communism and our mission now is with fearless heroic spirit to pay close attention to changes in the Nansha winds and clouds and with our actions safeguard the security of the territory of the ancestral country and safeguard the marine interests of the ancestral country." My words received enthusiastic applause. I spoke the truth. In the past, talks to unit or agency personnel were like drafts or rehashes, but this talk came from the heart. It came smoothly and with excitement. My feelings were mingled with everyone else's.

I returned to the bridge. At the time the ship's leadership and crew had taken out pen and paper and asked me to sign my autograph as a memento. They said that I was the commander of this cruise to the Nansha and that signing my autograph at this unforgettable moment was a sign of encouragement to all the men on board. I took the pen and stared out to sea. I remembered that I had been in the Navy so many years and I had been commander of a destroyer, commander of a destroyer squadron, and base chief of staff. Then I was transferred to a Navy organization and became responsible for training. I was used to the navy life of deep water, wind,

and wave. Long ago I had thought of going to the Nansha Islands and traveling through them and that day had finally arrived. I was happy because of the People's Navy's ability and confidence to protect the ancestral country's Nansha so I turned and picked up the pen and wrote in the ship's log:

"At 8:19 on 22 May 1983 our marine exercise formation dropped anchor at Zengmu Ansha 11 chains distant at a bearing of 220 degrees."

The comrades watched intently as I wrote. The understood. Leaving such a memento was very significant. It was even more capable of expressing the heartfelt feelings of love for China's territory of the entire company of officers and men on this southern patrol.

Later I ordered a launch lowered to go Zengmu Ansha to take photographs and take depth soundings. The crane lightly lowered the power boat to the sea and it set out for the Zengmu Ansha light buoy. The light buoy is about five meters high and three meters around. The launch personnel went around the light buoy taking photographs and making detailed observations: The bottom part of the buoy was a red float streaked with rust and covered with oysters. The iron framework in the middle section was painted yellow and on top was a lamp. Below this light buoy was Zengmu Ansha. Pilothous soldier Chen Xuanguang [7115 1357 0342] held a long nylon line in his left hand and a heavy weight in his right hand. He threw it into the sea in a practiced fashion. When he raised the weight the sailors asked: "How deep is the water?" Xiao Chen hesitated a moment then reported, "25 meters!" The instructors warned, "Don't let go of the weight!" Xiao Chen took the hint and raised the weight and peered at its bottom where he found white coral and sand. I watched Zhao Chengchun [6392 2110 2504], office chief of the Deep Sea Naval Headquarters, place the Zengmu Ansha coral and sand in a glass bottle. He exuded the sentimental attachment of China's sons to this remote area of China. Through careful inspection and observation, the sailors also discovered that this light buoy was not equipped with a radar reflector as indicated on the chart and that the water depth they measured was not the same as that indicated on the chart.

At 11:14 on 22 May the two ships weighed anchor and continued on their way. The marine formation reluctantly left Zengmu Ansha. The bridge was still packed with people but there was not a sound. I raised the binoculars and look at the Zengmu Ansha light buoy. In my heart I called out: Farewell, Zengmu Ansha. We'll see you again soon.

(To be continued.)

New Tactical Bombing Simulator Operational

90CM0257B Beijing KEJI RIBAO in Chinese
24 May 90 p 2

[Article by Li Yongfang (2621 3057 5364) and Cai Shanwu (5591 0810 2976): "New Model Tactical Simulator Bombing Equipment Developed; Computer Used To Simulate Real Bombs"]

[Text] A new type of bombing simulation system which is to be used by Air Force bombing forces and attack forces was recently assessed and is being used in tactical simulation training of some forces, thereby correcting a deficiency arising from the fact that China's Air Force has had to use real ammunition to carry out bombing training. A new path for bombing training has been opened up.

This simulation bombing equipment uses computer-simulated bombs to calculate the point of impact of actual bombs. This electronic system includes a computer, radar, communications equipment, and various equipment mounted on the aircraft. When carrying out training, it is installed near an actual target. Pilots in the air search, identify, aim, and "bomb" the actual target in accordance with normal bombing procedures. The equipment promptly indicates the time at which the aircraft reaches its target and the result of the bombing. This equipment, which was successfully developed by four units in a certain Air Force research institute has been awarded a third-class state prize for scientific and technological advancement, and is on a par with the international quality level for products in its category.

Use of simulation bombing equipment has four advantages: One is that it enables bomber and attack forces to extend beyond a fixed target range and "bomb" various real targets, including airports, bridges, and train and bus stations. It will help to narrow the difference between training and actual combat, and improve the level of training and operational efficiency. A second advantage is that it will take maximum advantage of the tactical capabilities of other equipment and will ensure the safety of personnel and aircraft. A third advantage is that it will help antiaircraft forces use tactical simulation training in launching and defending against attacks, thereby opening a new tactical option for troops. The fourth advantage is that it will help to economize on training expenditures and enable us to obtain twice the benefits with the half the input. It is possible that this equipment will be installed in all bomber and attack units next year.

Navy Aviation Regiment Improves Training Methods

90CM0257C Beijing JIEFANGJUN BAO in Chinese 3 Jun 90 p 1

[Article by Si Yanwen (0674 1750 2429) and Zhu Bin (2612 2430): "All Pilots in Certain Naval Air Force Regiment Learn To Handle All-Weather Duty"]

[Text] A certain Naval Air Force regiment has resolutely adhered to the standards of combat strength and has

dared to take on flight-training tasks with high levels of difficulty. It has taken a step upward in tactical capability. The entire regiment completed 60 percent of its annual training duties by the end of May. Everyone is able to engage in aerial combat. Everyone is an "all-weather" pilot. Everyone is capable of leading a squadron and flying in the lead aircraft.

This regiment has resolutely adhered to the standards of combat strength in its guiding philosophy, and has focused on raising the operational capabilities of the unit as a whole. Faced with a situation in which its new and old pilots all have differing skill levels, they have broken with the tradition of retraining every pilot every year in the most basic skills, implementing instead a "multitiered training method." All the pilots in the regiment have been divided into four groups depending on their level of training. They fly in whatever type of weather they are qualified for and train in whatever subjects they are ready for. In so doing, not only has this regiment expanded the types of weather in which it is able to fly and aggressively organized training in subjects with high levels of difficulty, it has also ignited the will of the pilots to improve their combat capabilities as quickly as possible. This regiment has taken three giant steps forward in its flight training during the last three years: It completed aerial combat training in 1988. It became a first-class regiment in 1989. The regiment successfully completed training for "the four types of weather" this year in April, and all its pilots have qualified for "all-weather" duty. Furthermore, it has made good progress in training flight controllers, flight instructors, and lead pilots.

Paying close attention to the combat capability of the unit as a whole, this regiment has launched into training subjects with high levels of difficulty, continuously improving the combat skill of its forces. As they carried out training for low-altitude flight over the sea in August 1988, an aircraft careened off the runway and was damaged, but they did not "give up eating for fear of choking." They earnestly reviewed the cause of the accident and continued to carry out training for such difficult tasks as low-altitude flight over the sea and aerial combat. In the past year, they have completed training for several highly difficult tasks, including flying at minimum altitudes, landing in rain, and special combat maneuvers. At the same time that this regiment has carried out training for tasks with high levels of difficulty, it has also paid close attention to keeping its training rigorously organized and scientific. They have organized test-flight teams, and they always do test flights, obtain data on various maneuvers, learn the important points a pilot must be aware of, and build up a certain amount of flying experience before training the entire regiment in tasks with high levels of difficulty.

Every time flight training is carried out, the regimental commander and the political commissar make sure to be on hand so that they can deal promptly with any problems as they occur. In March of last year, they only needed to carry out flight navigation among the clouds 10 or 20 more times to become a first-class regiment, and everyone in the regiment from top to bottom was clamoring to complete the task ahead of schedule, but the regiment's leadership adhered firmly to the training schedule and refrained from pushing ahead too fast.

War History of 2d Field Army Ready for Publication

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[By RENMIN RIBAO reporter Xu Rujun (1776 1172 0193) and XINHUA reporter Luo Yuwen (5012 3768 2429)]

[Text] Beijing, 10 Jul (XINHUA)—A discussion meeting was held here today to finalize for publication the manuscripts of the war history of the 2d Field Army. Qin Jiwei, member of the Politburo of the CPC Central Committee and head of the leading group for the revision of the war history of the 2d Field Army, presided over the meeting and gave a speech.

The 2d Field Army was a component part of the Chinese People's Liberation Army [PLA] with Liu Bocheng and Deng Xiaoping as its all-time paramount leaders.

The war history of the 2d Field Army was first written and compiled in late 1949, and was revised in late 1988. Comrade Deng Xiaoping held a meeting with members and staff of the editorial committee and the leading group for revision on 20 November of last year. The 690,000-character two-volume book is to be published by the PLA Publishing House. The second volume already is off the press, while the first volume will be published soon. The book records the heroic struggles of the commanders and fighters of the 2d Field Army in the War of Resistance Against the Japanese and the liberation war. It sums up their war experience gained through bloodshed.

In his speech, Qin Jiwei said that the publication of the war history of the 2d Field Army will enable the vast numbers of readers to further understand the historical contributions of the PLA and deepen their love and support for it. The war history has significant value in its research on Mao Zedong's military thinking, and particularly in its research on the military theories and principles of leading of Liu Bocheng and Deng Xiaoping.

Also attending and speaking at the meeting were veteran Comrades Chen Xilian, Chen Zaidao, and others.

NORTH REGION

1990 Hebei Economic, Social Development Plan

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28 Apr 90 pp 2-3

[Report by Song Shuhua (1345 0647 5478), vice governor of Hebei Province and head of the Hebei Provincial Commission on Planned Economy, at the Third Session of the Seventh People's Congress of Hebei Province held on 18 April 1990]

[Text] Dear Representatives!

I have been entrusted by the Hebei provincial people's government to submit to the congress a report on the condition of the execution of the 1989 plan on the national economy and social development of Hebei Province and on the 1990 draft plan, and wish to solicit your perusal and examination.

I. Condition of Execution of 1989 Plan

In 1989, people of the whole province, under the leadership of the party and government, achieved conspicuous results in repelling the interventions of the turmoil and counterrevolutionary riots, in firmly and thoroughly implementing the guideline of improvement, rectification, and deepening of the reform, and in adopting a series of policies and measures with the major points of depressing demand and readjusting the structure. Social demand was kept under effective control, cooling of the overheated economy was effected, effective supply was steadily increased, and the contradiction in the gross volumes of supply and demand was somewhat eased. According to initial statistics, for the whole year, the social gross output value amounted to 159.18 billion yuan (current prices, same below). Computed on the basis of comparative prices, this was an increase of 6.3 percent over the preceding year; the GNP amounted to 75.83 billion yuan, an increase of 5.4 percent; national income rose to 64.95 billion yuan, an increase of 4.9 percent; and the discrepancy between social supply and demand dropped from 16 percent the preceding year to about 12 percent, thus rectifying the trend in recent years of a steadily widening gap in supply and demand. New developments were also achieved in the sectors of social enterprises such as science, education, culture, public health, sports, and recreation. On the whole, the condition of the execution of the entire plan for national economy and social development was comparatively good and the planned tasks approved at the second session of the seventh provincial People's Congress were basically realized.

A. Agriculture Continued To Develop Under Readjustment; Grain Production Attained the Highest Level in History

In 1989, governments at various levels in our province strengthened their leadership work over agricultural production, devoted great efforts to promoting agricultural

collective contracting and the application of adequate and suitable scientific technology and increased input into agriculture. By the end of the year, the number of rural technical contracting groups grew to 1,765 units, the size of land under contracting was 43.65 million mu, and the area or scope of expansion and application of regular agricultural technology reached 49 percent. In the whole province, the balances of loans to agriculture granted by banks and credit societies amounted to 8.59 billion yuan, an increase of 19.6 percent compared with the early part of the year; financial expenditures on the support of production in the rural areas amounted to 350 million yuan, an increase of 45 percent; 230 million yuan was spent on agricultural development on the plains of Haihe valley, transforming 1.717 million mu of middle- and low-grade farmland and improving and increasing irrigation facilities covering an area of 1.57 million mu. All this has effectively facilitated the development of agricultural production and rural economy. For the whole year, rural social gross output value amounted to 76.46 billion yuan, an increase of 7.8 percent over the preceding year, of which the gross output value of agriculture was 30.7 billion yuan, an increase of 3.1 percent. Although a portion of the area was overridden by natural disasters, the output volume of principal agricultural products still managed to obtain relatively good results. The gross output volume of grain was 20.685 million tons, an increase of 460,000 tons over the preceding year, surpassing the plan by 185,000 tons, and reaching the highest level in history. The output volume of flue-cured tobacco, dried fruits, vegetables, and different kinds of melons likewise increased in varying degrees. Because of the reduction in planting area and influences of various other causes, production of cotton and edible oils decreased in comparison with the preceding year and failed to fulfill the plans. Production volume of pork, beef, and mutton was 1.12 million tons; aquatic products amounted to 209,000 tons; and the afforestation area was 4.485 million mu, all of which fulfilled or generally fulfilled the whole year's plans. In their improvement and rectification, town and township enterprises were able to maintain the trend of a stabilized development. Their gross output amounted to 48 billion yuan, an increase of 15.4 percent over the preceding year, and basically accomplishing the growth plan under the target.

B. Excessively High Industrial Growth Rate Lowered; Production Maintained a Steady Development in the Course of Readjustment

In 1989, industrial production in the whole province obtained relatively good results; this was accomplished through active structural readjustment and such other measures as strengthening production arrangements and improving enterprise management, and devoting utmost efforts to easing and solving the difficulties caused by the stringent situation in the supply of funds, energy resources, and raw materials and the general weakness of the market. Under the conditions of cooling down the overheated economy, the industrial gross output value of the whole province for the first time broke the record of

100 billion yuan, reaching the figure of 102.609 billion yuan, an increase of 8.8 percent over the preceding year, of which the industrial gross output value of villages and of localities above the village level amounted to 73.705 billion yuan, an increase of 7.3 percent, but the growth rate was lower than that of the preceding year by 8.8 percent. As for the output volume of the 82 categories of major products covered in the plan's list of checking and examination, 58 products fulfilled or overfulfilled the production plan. Of them, major energy items, raw materials, and agricultural aid products such as power generation, pig iron, steel, plate glass, soda ash, caustic soda, cotton yarn, and chemical fertilizer, as well as light industrial products closely related to people's living such as matches, synthetic detergents, and so forth, all attained varying degrees of growth in production and fulfilled the plan's demands. During the year, more than 900 new products were developed, while production was curbed and reduced for products whose supply had already saturated the market and that had stagnant sales and were stockpiled in the warehouses.

C. Scale of Fixed Assets Investment Reduced; Investment Structure Readjusted

In the course of improvement and rectification, management of fixed asset investment was further strengthened, projects under construction were earnestly liquidated, starting of new construction projects was strictly controlled, and all construction work was periodically inspected. All these achieved relatively good results. a) Through liquidation, a number of construction projects were cut. In the whole year, construction of 205 projects belonging to the whole people or to urban and rural collectives was either slowed down or stopped. Investments were reduced by more than 700 million yuan. Of them 98 projects of building large edifices and investment of 367 million yuan was relinquished. b) Projects newly put into construction were kept under strict control. In the whole year, new construction projects of the whole people numbered 1,039 units, a reduction of 2,169 units compared with the preceding year, a drop of 67.6 percent, and the new construction rate of projects dropped from 56.4 percent of the preceding year to 26.1 percent. c) Efforts to reduce the investment scale were successful. In the whole society, the amount of fixed asset investment was 19.296 billion yuan, a reduction of 7.4 percent compared with the preceding year, but actually the reduction was 19.1 percent if the commodity price factor was deducted. d) Improvement was made in the investment structure and the condition of the completion and fulfillment of the major construction projects was relatively good. Under the conditions of depressing the gross volume of investments, investments of whole-people capital construction in the energy industry grew by 8.6 percent, and in agriculture increased by 7.6 percent. The ratio of investments in whole-people technical transformation applied to energy, communications, and raw materials increased from 46.9 percent of the preceding year to 51.7 percent.

The relative weight occupied by investments on construction of a productive nature continued to rise, growing from 73 percent of the preceding year to 75.5 percent. Of the projects designated for completion and being fit for use and construction during the current year, the great majority were duly completed and put into production or trial production, including the third-stage engineering project on the coal wharf in Qinhuangdao port, the 1,260-cubic-meter blast furnace at Tangshan Steel Company, the 1,260-ubic-meter blast furnace at Xuanhua Iron and Steel Company, Tangshan Soda Factory, the fourth-stage expansion project of the Yingtai Electric Power Plant, the No. 2 power unit of the Hantan Hot Power Plant, the Gechuan mine pit in Yingtai mining district, the Shijiazhuang kinescope glass crust factory, the alkyl petrochemical unit at Shijiazhuang Oil Refinery, Baoding Paper Mill—that is, the 20 large and medium-sized capital construction projects and above-limit technical transformation projects and single engineering projects. For the whole year, 2,215 capital construction and technical transformation projects were completed and put into operation, the newly increased amount of fixed assets being 9.067 billion yuan. During the year, the newly increased major production capacities were: water-containing capacity of 19.68 million cubic meters in reservoirs and dikes; iron-smelting, 1.8 million tons; steel refining, 450,000 tons; coal mining, 1.44 million tons; installed power-generating capacity, 240,000 kilowatts; power transmission lines, 444.9 kilometers; soda ash, 600,000 tons; port handling volume, 30.50 million tons; city telephone exchange units, 28,700; student seats in colleges and specialized institutions of learning, 10,060; and residences and dormitories for staff members and workers, 4.7 million square meters. In particular, the completion and putting into operation of a number of major projects have greatly augmented the weak links and created the conditions for further and efficient improvement and rectification and completing the readjustment tasks.

D. Surplus Receipts in Finance Realized and Scale of Credits and Loans and Issuance of Banknotes Kept Under Control

Following production development and deepening of the progress of the "double-increase, double-economy" movement, particularly through strengthening the enterprises financial management and tax collection and administration work, we have liquidated and rectified all the illegalities allowing tax reduction and exemption, formulated and perfected the measures on examining and granting bonus payments and matters concerning the budget contracting of administration units and thereby stopped up the loopholes allowing losses of revenues and receipts, and reduced certain unnecessary expenditures. For the whole year local financial receipts amounted to 7.612 billion yuan, overfulfilled the budgetary estimate, an increase of 17.5 percent over the preceding year; financial expenditures amounted to 7.73 billion yuan, an increase of 14.5 percent over the preceding year, and the growth rate was lower than that of financial receipts by three percent. As a result of the

increase in receipts and the tight control over the expenditures, the financial deficit was smaller than that contemplated at the beginning of the year.

On the side of credits and loans, deposits increased, and the scale of loans and banknote flotation were kept under strict control. By the end of last year, the balances of the various kinds of deposits in banks throughout the province amounted to 43.61 billion yuan, an increase of 5.85 billion yuan over the preceding year; the balances of the various kinds of loans amounted to 52.44 billion yuan, an increase of 7.41 billion yuan over the beginning of the year. Net banknote flotation in the entire year was 1.76 billion yuan, the total amount of flotation being 4.68 billion yuan less than that in the preceding year. Credits and loans and the gross volume of money in circulation were under the control of the state plan. Due to the enforcement of value-protected savings and the rise in the interest rate, increases in urban and rural savings were facilitated and at yearend the balances of savings deposits of the urban and rural residents amounted to 36.4 billion yuan, an increase of 10.2 billion yuan over the early part of the year. Improvement was made in the structure of credits and loans. During the year, the banks and credit societies increased the amount of loans for the purchases of grain, cotton, and edible oils by 1.57 billion yuan, increased loans for industrial production and enterprises by 2.76 billion yuan, provided priority guarantees to the funds for purchasing agricultural and sideline products, and heavily supported production in large and medium-sized enterprises and units yielding large profits and taxes.

E. Plentiful Supplies in Urban and Rural Markets; Trend of Rising Commodity Prices Conspicuously Reduced

In 1989, as a result of the earnest and thoroughgoing implementation of the various policies and measures of improvement and rectification, rather big changes occurred in the urban and rural markets throughout the province. The sources of goods in markets were relatively plentiful. Supply-demand relationships were improved. In particular, by means of liquidating and rectifying the companies and stepping up supervision and inspection of commodity prices, the circulation order turned for the better and this played an active role in stabilizing the markets and the commodity prices. For the year the gross sales volume of social commodities was a total of 37.45 billion yuan. This was an increase of 5.5 percent over the preceding year, but if the factor of commodity prices is deducted the actual decline was 10.9 percent. Seen from the sales of consumer goods, many of the commodities that had too-rapid growth in the preceding year returned to a stable growth rate. The sales of certain apparel and high-grade durable consumer goods slowed down and in certain cases fell from the preceding year. The residents' enthusiasm for purchasing was obviously on the downturn. The trend of rising retail sales prices was reduced and weakened and began to fall each month beginning with the second quarter of the year, dropping from 29.3 percent in April to 0.7 percent

in December. Because the rise in commodity prices last year was principally the result of the influences of "closing" or ending factors and because new factors for increased prices were few, plus the facts that prices of the "food basket" and of industrial goods for daily use were relatively stable, with some demonstrating a downturn in the midst of stability, the actual benefits accorded to the populace were different from those of the preceding year. Their consumption psychology was basically stabilized.

F. Continued Growth in Foreign Trade and Scale of Utilization of Foreign Capital Was Further Expanded

In the first few months of last year, because causes of shortages in purchasing funds and the procurement condition of resources not being of good grade, our exports in foreign trade for a time appeared to have slid downward. However, following efforts from all sides, particularly through developing the management measures of "double clearing and double depressing" and tightly grasping the sources of export goods, the decline in exports was gradually rectified. For the year, the gross volume of commodity exports for the whole province amounted to \$1.64 billion, an increase of 5.9 percent over the preceding year. Of this, export of sundry goods amounted to \$1.253 billion, overfulfilling the state plan, an increase of 4.2 percent over the preceding year. In the utilization of foreign capital, strenuous efforts were made to overcome the evil effects of the "two disturbances," and there was a firm adherence to the guideline of opening to the outside world. Economic and technical exchange with the outside world was actively developed. During the year the actual amount of foreign capital utilized was \$242 million, an increase of 61.3 percent over the preceding year, of which local projects amounted to \$112 million, an increase of 330 percent. The development of externally-oriented economy along the coastal areas open to the outside world made new progresses. During the year, sanctions were accorded to 32 enterprises of "three capital sources" with a gross investment of \$81,631 million, 10 "sanlaiyibu" enterprises, i.e., those engaged in three forms of import processing and compensation trade, involving an investment amount of \$10.532 million according to the agreements and 14 spot-cash projects were accepted involving \$15.46 million.

G. Continued Development of Enterprises in Science, Education, Culture, Public Health, Sports, and Recreation; Construction of Spiritual Civilization Strengthened

In 1989, scientific and technological work in the whole province continued to follow the arrangements of the strategy of "adding wings" to science and technology, further intensified the reform of the scientific and technological structure with "double opening" as the pivotal center and achieved relatively much progress in attacking and solving major problems, promotion and application of current successes and accomplishments, and enforcement of the "spark plan." The province obtained a total of 1,200 big and important scientific and

technological accomplishments, of which 28 items were at or near the international level. In the whole year, the province received 11 state scientific and technological awards and "spark" awards, of which six awards were for scientific and technological progress made and the total number of awards received ranked third in the country. In the 80th Paris International Inventions Exhibition, of the five inventions the province submitted, three received awards; in the fourth National Inventions Exhibition, of the 32 patent technologies the province submitted 25 received awards. Of the 704 scientific and technological development topics listed in the provincial plan, over 80 percent met the progress demands prescribed in the plan, 376 topics were accepted following inspection and examination and 216 topics were found to be up to the advanced level of the country. The 400 scientific and technological results designated for major application were well received in industrial and agricultural production and the accumulated economic benefits obtained amounted to 1.46 billion yuan. In agriculture, the technique of ton-grain farmland and that of standardized planting in drought farming were given wide application. Planting areas of new varieties of wheat and cotton grew to over 28 million mu, occupying about 60 percent of the planting area of the whole province. On the side of industry, in metallurgy, power generation, construction materials, and petrochemicals, techniques on economy in energy and materials consumption and on minimachine control were given wide application. A number of scientific and technological results have begun to play an important role in economic construction.

In the course of readjustment, education has progressed steadily. Ideological and political work in the institutions of higher learning and moral education and general education in the middle schools and primary schools have both been strengthened. Concurrently with giving major support to specialization development in the sectors of light industry, textiles, food products, finance and accounting, foreign economic relations and foreign trade, the scale of student enrollment in ordinary high-grade schools was kept under control. In the province, enrollment of new students in local ordinary high schools numbered 18,530 people, basically fulfilling the plan's requirement. Enrollment of new students in higher education for adults numbered 20,792 people, fulfilling 127 percent of the plan. In the ordinary middle-grade specialized schools the enrollment of new students was 31,000 people, fulfilling 95 percent of the plan. Basic education was further strengthened. The province spent a sum of 587 million yuan on generally improving the schooling conditions, the largest amount spent on the purpose in a single year in recent years. Primary education was basically universalized in the province and certain localities have initially attained the standard of a nine-year system of free education. Education for the feeble-minded and disabled children has also made certain development and progress.

Enterprises in culture, public health, and sports and recreation have also achieved new accomplishments. During the year, 40 television plays with 129 parts were produced; 178 new cinema films were put into circulation, 13 new broadcasting stations were put into operation, six television stations were added, the coverage rate of television grew from 80.3 percent of the population in the preceding year to 81.3 percent. Conspicuous results were achieved in the efforts to eliminate "yellow" films and plays showing the "six vices." The trend of spreading cultural and spiritual rubbish was put to a stop. Medical and public health conditions were further improved. At yearend, there were 144,000 hospital beds in the various medical and clinical organs in the province, an increase of 6,000 beds over the preceding year. The number of public health technical personnel was 175,000 people, an increase of 6,200 people. The patriotic public health campaign was extensively developed. The number of cases of infectious diseases, chronic diseases, and local diseases occurring during the year declined compared with the preceding year. The practices of certain hospitals in making random and arbitrary charges were curbed. In the field of sports, notable records were made. In the various important sports competitions both in the country and abroad, athletes of the province won one world championship, broke seven world records, broke two Asian records, made 15 national records, and won 71 gold metals, 56 silver medals, and 57 bronze medals. Recreational activities of a popular nature were further activated. In the province, units above the village level held some 8,952 athletic meets and 4.337 million people attained the national standard of athletic training.

Birth control work was given important attention. The natural population growth rate appeared to have fallen, dropping from 14.85 per mille of the preceding year to 14.75 per mille. But due to the current period being a high-peak period in population growth, and failure to manage the work tightly enough, the population control target for the year as a whole was not realized.

H. Continued Improvement in Standard of Living of the Majority of People, Concurrently With Controlling the Too-Rapid Increase in Consumption Fund

According to a sample survey, in 1989 per capital income for living expenses of residents in cities and towns was 1,256.8 yuan, an increase of 16.3 percent over the preceding year; the per capita net income of peasants was 589.4 yuan, an increase of 7.8 percent over the preceding year, but after reduction of the commodity price factors the actual income of a portion of the residents slightly decreased. Housing conditions of urban and rural residents continued to show improvement. The per capita housing area of city and town residents was 8.9 square meters, while that of peasants was 16.8 square meters, both showing increases over the preceding year. Social welfare and safety protection enterprises both achieved relatively rapid development. At yearend there were 43,000 beds in the various kinds of social welfare institutions throughout the province,

with 69,000 people in desolate, aged, disabled, and underage conditions enjoying group provision benefits, an increase of 7.4 percent over the preceding year. In the province, some 233 villages and small towns have built rural social protection networks, there being some 2,944 units providing small-type and various kinds of social service facilities. The work of helping the poor and relieving the distressed has been further strengthened. The province paid out various kinds emergency relief funds amounting to over 71 million yuan and provided 117,000 people with emergency relief and job placement. Governments at various units actively engaged in raising relief funds for the poor. In the whole year financial support was rendered to 437,000 distressed households of whom 380,000 households succeeded in solving their problems of eating to the fill and being dressed warmly.

The foregoing conditions showed that in 1989 the entire plan for national economy and social development of our province developed in the predestined direction and that definite results had been achieved on various sides including production, construction, circulation, science, and education. These all were the results of implementation of the central government's guideline on improvement, rectification, and deepening the reform. However, in the execution of the plan, many contradictions and difficulties were met with. In particular, of certain of the problems accumulated and leftover for many years from the national economy, many have not been basically solved while in the course of improvement and rectification, many new conditions and new problems have appeared, these being the weak state of the markets and the too-fast and drastic drop in industrial production, all of which needed our earnest study and solution. The principal problems are the following:

1. Social gross demand still tending to be too large. In 1989 although the discrepancy between gross demand and gross supply in the whole province was smaller than that of the preceding year, yet it was still as high as around 12 percent. This demonstrated that certain basic factors leading to currency inflation had not been basically eliminated. At the moment, the balance of purchasing power in the whole province is as high as over 50 billion yuan, equivalent to the gross volume of social commodity retail sales for over a year, thus still constituting a serious threat to market stability.

2. Industry's structural contradictions still not basically eased, and the vexing problem of poor economic benefits being still relatively prominent. As a result of the existence of the contradiction in the re-distribution of benefits between the existing structure and the readjusted industrial structure and the lack of coordinating measures in the enforcement of the industrial policy, the progress of industrial structural readjustment has been rather slow and the structural contradictions have not been eased to any great extent. This has been centrally manifested in the lack of vitality on the part of the large and medium-sized enterprises, certain products not consistent with the demands of the state's industrial policy not having been effectively controlled and readjusted,

while the production development of coal, petroleum and other raw materials industries the products of which had been in short supply has not been fast enough with some even on the downturn. Although there was an increase in the production of certain raw materials, the increase ratio was not at all large in the case of steel plates, pipings, joints and links and alloy-steel products. The irrational industrial structure and weakness in general management work have seriously affected improvement in the economic benefits. In 1989, the comparative production cost in industrial enterprises within the budget increased by 26.98 percent over the preceding year, the deficit volume of enterprises running in the red increased by 201 percent, use of capital funds by manufactured products went up by 100 percent, and there was a decline, compared with the preceding year, in the profit and tax rate on output value, profit and tax rate on capital funds, and profit and tax rate on sales.

3. Scale of increase in commodity prices still staying at a rather high level. In 1989, despite the fact that there was an obvious weakening in the trend of rising prices in retail sales in the province, yet, seen for the year as a whole the extent of the rise was still very large. In particular, too-high increase in the prices of certain means of production and certain consumer goods was not changed to any appreciable extent. In the whole year, the general index of retail sales prices increased by 18.4 percent over the preceding year, higher by 0.3 percent over the extent of rise in commodity prices in the preceding year. Of the increases, the price of grain which had a close bearing on the people's living and agricultural production rose by 22.3 percent; prices of meat, fowls, and eggs rose by 11.5 percent; aquatic products, 18.6 percent; chemical fertilizer, 12.1 percent; and diesel oil for farm machines, an increase of 15.1 percent.

4. Tasks of finding good jobs for unemployed people still extremely difficult. According to an investigation and estimate made, by the end of last year, in the province some 389 enterprises under the system of ownership by the whole people were in a state of suspension or semi-suspension of operation, and, in all, more than 120,000 staff members and workers were involved. Added to this the size of the labor force newly grown up and awaiting employment, the unemployment rate in cities and towns rose from 0.63 percent of the preceding year to 1.1 percent.

In addition, the problems and contradictions of insufficient circulating funds, shortages in energy supply, stringency in the supply of raw materials, and lack of harmony in the development of cotton production and growth of the textile industry were relatively prominent and caused definite difficulties to the normal development of the economy and improvement and rectification.

These problems in economic life were problems in the course of going forward. Some were unavoidable in the course of improvement and rectification, while some

were new contradictions arising out of the new conditions. Seen from the standpoint of work, the causes could be insufficient experience and insufficiently prompt macroeconomic handling and clearance. Regarding these problems the provincial government is adopting measures to solve them.

II. Views on Arrangements for the 1990 Plan

This year is the last year of the "Seventh 5-Year Plan," and is the most important year for carrying out the improvement and rectification. According to the spirit of the Fourth, Fifth and Sixth Plenary Sessions of the 13th CPC Central Committee and of the three sessions of the Seventh NPC, and in combination with the actual conditions of our province, the guiding ideas and basic tasks arranged for the 1990 plan are the following:

First, firmly, irrevocably, and thoroughly implement the party's fundamental line in the initial stage of socialism, firmly insist on "one central point and two basic points," and, with the precondition of maintaining political stability and social stability, centralize efforts and energy to make a success of the national economy.

Second, firmly and irrevocably carrying out the guideline on improvement and rectification, make the various planned arrangements demonstrate the demands of the targets of improvement and rectification brought up in the Central Committee's "decision" and the provincial party committee's "resolutions," continue to depress social demand, increase effective supply and improve control over gross volume, ease the contradictions between supply and demand, rectify the economic order, control the rise in commodity prices, and make utmost efforts to make the rate of currency inflation lower than that of the preceding year.

Third, firmly insist on giving enhancement of economic benefits the first priority, strongly establish the ideology of passing austere days, penetratingly develop the "double-increase and double-economy" campaign, staunchly strengthen enterprise management, vigorously push technical progress and improvement, devote utmost efforts to effect basic balancing of financial revenues and expenditures, and accomplish the feats to make the construction scale, banknote issuance, and growth of consumption tally in accord with economic development.

Fourth, firmly abide by the demands of the state's industrial policy, make a determination to readjust the industrial structure and the structure of products, continue to strengthen agriculture and the energy and raw materials industries which have shown signs of shortages, and at the same time augment the stamina of economic development.

Fifth, firmly insist on the guideline of seeking long-term economic development that is sustained, stable, and coordinated; make all the planned arrangements and preparations to this end follow the principle of the overall balancing of the national economy; and at the

same time take into all-round consideration the factors on all sides and the ability to bear, shaping overall plans, watching both the front and behind, and generally ensuring the growth of the economy at an appropriate and stable speed.

Sixth, firmly and irrevocably carry out the guideline of deepening the reform; closely link together improvement, rectification, and deepening the reform; further intensify and perfect various reform measures in conformity with the demands of improvement and rectification; make reform serve and be beneficial to improvement and rectification; and gradually establish a macroeconomic adjustment and control system consistent with the principle of the joining together of planned economy and regulation by market mechanism.

Seventh, firmly insist on the guideline of opening to the outside world, more effectively expand foreign trade and economic and technical cooperation with foreign nations, strive hard to increase exports and foreign exchange earnings, suitably reduce imports, and endeavor the utmost to achieve basic balance in the receipt and spending of foreign exchange in our province.

Eighth, firmly insist, concurrently with grasping the construction of material civilization, on striving hard to push construction of socialist spiritual civilization, continuing the development of various kinds of social enterprises, going deep into development of honesty in politics, rectifying the social order, and doing the utmost to make the social atmosphere turn for the better.

Based on the above-mentioned guiding ideas and basic tasks, the principal targets of our province's 1990 plan for the provincial economy and social development are as follows:

—The provincial economy maintains a suitable growth rate; on the basis of enhancing the economic benefits and the technological level, the social gross output value will show an increase of 5.5 percent over the preceding year, of which the growth rate in agricultural gross output value will be three to four percent; industrial gross output value will increase by six to seven percent; GNP will increase by five percent; and national income will increase by four percent.

—Continued control over social gross demand; the initial arrangements for the local fixed assets investment plans of the province will be 9.85 billion yuan and the results of execution of the plans will generally be controlled at the actual volume of work in the preceding year. Intense efforts will be made to keep the growth of the consumption fund below the increase in total income available for distribution.

—Financial revenues will be 8.14 billion yuan, an increase of 6.2 percent over the preceding year.

- Gross volume of retail sales of social commodities will be 43 billion yuan, an increase of 14.8 percent over the preceding year.
- Gross volume of exports of local sundry goods will be \$1.3 billion, an increase of 4 percent over the preceding year.
- The scale increase in the general price index of retail sales of social commodities will be lower than the preceding year's level.
- Social labor productivity will rise by three percent compared with the preceding year.
- The natural growth rate of the population will be controlled within 13 per mille.

The above-mentioned targets are the important marks of realizing by our province of the tasks in improvement and rectification this year. For the purpose of realizing these targets, the major contents and tasks of the planned arrangements are as follows:

A. Continue To Vigorously Strengthen Agriculture and Strive for Agricultural Harvests in the Whole Year

Ours is a big province in agriculture. In the national economy, agriculture occupies an exceedingly important position. In the formulation of this year's plan, first consideration was given to agriculture and arrangements were made so that the output volume of various agricultural and sideline products will increase in varying degrees over the preceding year. Of them, the planned gross output volumes are as follows: grain, 21.00 to 21.40 million tons, an increase of 315,000 to 715,000 tons over last year; cotton, 625,000 to 675,000 tons, an increase of 90,000 to 139,000 tons; edible oils, 700,000 tons, an increase of 140,000 tons; and meat 1.219 million tons, an increase of 10,000 tons. In order to realize this year's agricultural plan, emphasis will be laid on the following measures: 1) Further stabilizing and perfecting the agricultural policy. The major points consist of stabilizing and perfecting the contracted responsibility system on the household basis with remuneration linked to output, and establishing a strong and healthy rural area cooperative service system. At the same time, continue to perfect specialized operation methods in chemical fertilizer, farm medicine, plastic membranes for farm use, and other means of production for agriculture. And, regarding the chemical fertilizer, farm medicines and plastic membrane for farm use needed in developing technical promotion and technical services, truly use them on agricultural technical promotion in accordance with stipulated prices and usages. Perfect the policy encouraging the production of grain, cotton, and edible oils. Earnestly carry out the measure of linking grain and oils with chemical fertilizer at parity prices. Raise the fixed purchases and the linking standard with chemical fertilizer and diesel oil. Enforce the linking system with regard to superior-quality farm medicines. Provide cotton farmers with mouth-grain subsidies and further enhance the peasant masses' enthusiasm for production.

2) Stabilize the grain field area, expand the planting of cotton and edible oils, and sternly control and curb the nonagricultural use of cultivated land and the blind development of planting of melons and fruits. Plan the following arrangements: Grain planting area, 100 million mu, maintaining last year's level; cotton planting area, 13 million mu, an increase of 1 million mu; edible oils planting area, 9.50 million mu, an increase of 780,000 mu. Control the nonagricultural use of cultivated land within the limit of 80,000 mu. In order to ensure the firm enforcement of the various planned planting targets, the province's multiple-cropping index will be raised by two percent over the preceding year. 3) Increase inputs into agriculture through many channels. This year, even with the continuance of the retrenchment policy, both the state and province have increased the input of capital funds into agriculture. For the current year, provincial finance has arranged to provide support to agriculture in the amount of 210 million yuan, an increase of 25.91 million yuan over the preceding year. Loan arrangements for agriculture by banks at various levels and credit cooperative societies amount to 1.82 billion yuan, an increase of 640 million yuan. The state's appropriations to agricultural development projects will amount to 90 million yuan, of which 80 million is intended for the comprehensive development of agriculture on the Haihe plains, while 10 million yuan is to be used on ecological construction on the dikes. Governments at various levels in the districts, cities, and counties should also devote their financial power with priority on the development of agriculture. They should appropriately increase their agricultural support funds, actively guide the peasants to increase their input into agriculture, establish the system of labor accumulated work units, support and encourage the peasants to raise funds for farmland water conservancy basic construction projects either singly or in cooperation with others. This year the call is that each and every rural labor unit must devote at least 20 labor accumulated work units on farmland water conservancy construction. The plan is to transform 1.7 million mu of medium- and low-level farmland, open up 240,000 mu of barren land, recover and expand 1.24 million mu of water-irrigated land, improve an irrigated area of 3.57 million mu of farmland, and eliminate waterlogging from 3 million mu of land. 4) Vigorously organize group contracting and grasp well the promotion and application of scientific and technical results in agriculture. The major points are to be the promotion of unitary planting of wheat and corn; alternate multiple cropping of various kinds of crops including grain, cotton, and edible oils; and different kinds of ordinary technical measures which are widely applicable, yield good results, and can be easily put into use. This year the province has allocated 30 million yuan from the newly appropriated aid to agriculture funds for special use on promoting the soil-screen cover technique. At the same time a sum of 3 million yuan has been set aside for use on nurturing superior seeds, promotion of techniques and general technical training work. It is planned to extend the membrane method to cover 3 million mu of land, apply the unitary planting method of

cotton and wheat on 2 million mu of land and vigorously strive to attain 1 million mu of "ton-grain farmland." 5) We shall strengthen the aid to agriculture from various sectors particularly from industry. The major tasks consist of speeding up construction of the Xinhuangdao phosphate-ammonium plant, the phosphorous fertilizer plants in Nie Cheng and Zunhua and the Yuanshi chemical fertilizer plant and making them go into production as soon as possible. In order to solve the problems of shortage in farm medicines and of the antiquated kinds of farm medicines in use, this year the plan is to build and expand two farm medicine plants and to develop three new varieties of farm medicine. Attention will be given to ensuring an adequate supply of electric power to agriculture. 6) We shall actively guide and support the healthy development of town and township enterprises. Based on the guideline of readjustment, consolidation, transformation, and enhancing the level we shall soon select a number of enterprises which adhere to the state's industrial policy, conduct production on a rather large scale, operate on advanced technology, and produce good economic effects and give them major support. As for those products that the state has ordered to be eliminated and banned from production, firm measures are being taken to stop their production. Enterprises that consume a great deal of energy in production, produce low effects, and cause environmental pollution will be determinedly ordered to close, suspend production, merge, or change to other trades so as gradually to put the town and township enterprises onto the track of stable, coordinated, and healthy development. The planned arrangements this year are that the gross output value of the town and township enterprises will increase by 10 percent, and possibly 15 percent, over last year.

B. Grasp Well and in a Down-to-Earth Manner Readjustment of the Industrial Structure and Strive by All Means To Enhance Economic Benefits

In order to effectively push the readjustments of the industrial structure and enhance economic benefits in 1990, the major points in industrial development in the province are planned to be: "structural readjustment, strengthened management, enhanced level, and increased benefits."

First, devote efforts to readjusting the structure of products. Simultaneously with grasping well readjustment of the increased volume, the major points should be shifted to readjusting the storage or existing volume. Based on the conditions of the state's industrial policy and market changes, we should constantly divide up the current products into separate categories and put them on line, tightly grasp the formulation of readjustment programs on the structures of products by departments and by industries and trades, put one program in operation when it becomes matured and if a number of programs become matured, put them in operation as well, and thus proceed in a rolling manner and according to order and stages. As for those products which must be kept and maintained, efforts will be concentrated on helping them

to strive upward and progress. Products the production of which is restricted or banned will be put under stern control and their production must be determinedly restricted or they must be changed to other trades. In order to push the readjustment of the structure of products, the province is prepared to set up a readjustment fund of the industrial structure, and adopt the method of compensatory use of the funds so as to encourage readjustment of the industry and of the product structure. In the planned arrangements, this year the province will grasp well the opening up of 80 varieties of new products and the production of 40 products enjoying a degree of prominence and importance. In the majority of cases the output volume of products requiring an increase in their effective supply will show varying degrees of production-increase over the past year. Of them, power generation will be 37.86 billion kilowatt hours, an increase of 1.3 billion kWh; pig iron, 5 million tons, an increase of 666,000 tons; steel, 3.6 million tons, an increase of 88,000 tons; steel products, 2.9 million tons, an increase of 200,000 tons; soda ash, 322,000 tons, an increase of 286,000 tons; chemical medicines, 4,710.34 tons, an increase of 102.66 tons; chemical fertilizer, 1.3712 million tons, an increase of 18,100 tons; and farm medicine, 8,500 tons, an increase of 520 tons.

Second, enforce a tilted policy and endeavor hard to invigorate those enterprises that conform to the state's industrial policy, particularly large and medium-sized enterprises. According to the principles of being beneficial to agriculture, increasing effective supply, expanding export trade and foreign exchange earnings, and enhancing economic effects, the provincial government initially has fixed 160 enterprises to be given major support. Without the approval of the provincial government, none of the power delegated to these enterprises and the preferential policies accorded them shall be revoked or withdrawn. Enterprises shouldering the burden of mandatory production tasks will enjoy priorities in supply of energy and materials, credits and loans, and transport facilities, and will be given the privilege of a balanced link-up between the principal elements of production and the production plan, so that they will have sufficient motive power to take up production in full strength. Concurrently with enlivening the large and medium-sized enterprises, we shall guide, support, and encourage the healthy development of those small enterprises that have produced relatively good effects and have good prospects, as well as the town and township collective enterprises.

Third, further strengthen the management and guidance of industries and trades. Tightly grasp the formulation of industry and trade regulations. This year, in this regard, five departments—namely, textiles, machine-building, metallurgy, construction materials, and chemicals—will be taken as the piloting points. The blind development of small mining pits and rank-and-file processing industrial units will be firmly put under control. All those small coal pits without licenses, small iron mines, and small

nonferrous metals mines and other small mining and extractive establishments will be forbidden to continue operations. Small establishments belonging to the processing industry in the sectors of cotton textiles, woolen textiles, calcium carbide, caustic soda, smelting, oil refining, native coking process, electroplating, beer brewing, and papermaking will be subjected to screening by their respective departments in charge with respect to the quality of their products, and targets made concerning their consumption of raw materials and production cost. Unified standards will be set in this connection, the units will be subjected to strict examination and inspection, and those failing to reach standards set will be given a time limit for rectification. All industries, trades, and enterprises must abide by the state's industrial policy, stand on tapping their existing hidden potentials, and perform well expanded reproduction by intention. In the case of the coal industry, the main task will be grasping well the transformation and expansion of the existing coal pits, stepping up the building work on pits under construction, and striving for early completion and production, thus to stabilize and increase coal output. Regarding the electric power industry, it is necessary, simultaneously with grasping well construction of the existing power plants and stations, to pay notice to selecting a number of new power plants, speed up the preparatory work already done and make sure that there will be good liaison between the Seventh 5-Year Plan and the Eighth 5-Year Plan. As for the raw materials industry, it is necessary to work around the targets of increasing the variety of products, improving the quality of products, grasping well the technical transformation of the metallurgical, chemical, and building materials industries and the readjustment of the structure of their products, and striving to increase the production of medium steel plates, superior-quality steel, highly effective compound fertilizer, and new types of building materials. Turning to the light and textile industries, the major points will be to increase the number of top-notch products, improve the quality of products, speed up the development of new products, push the promotion, alteration, and replacement of products, and better fulfill the needs of domestic demand, exports, and earning of foreign exchange. With regard to the electrical machinery industry, concurrently with controlling and cutting down the output of products that consume high amounts of energy, the main task is to perform well the jobs of digesting and absorbing imported technology, striving to develop products that can be exported and can earn foreign exchange, and also striving to import substitute products. In particular, we shall, in a planned manner and with emphasis, promote the development of highly technical industries such as electronics and electronic products of a productive nature.

Fourth, earnestly strengthen arrangements for production. In order to ease the stringent conditions in the course of production in the supply of coal, electric power, petroleum, and transport, and to ensure the

timely solution of big problems in production, the various departments from the provincial level to the districts, cities, and towns should all replenish their strength to further augment their leadership over arrangement work for production, to promptly solve problems for the enterprises so as to push the stable, coordinated, and healthy development of production.

Fifth, we shall fiercely grasp the management of enterprises, centering on the themes of lowering consumption and enhancing quality and quantity. In the formulation of a unified standard for assessing the economic benefits of industries and trades, first of all we shall determine comprehensive targets for materials consumption rate, production cost per unit in 100 yuan of output value, profit and tax rate on capital, and quality of products. Each and every industry and trade should reach the lowest standard fixed, to be realized level by level. Periodic inspections should be made and the results obtained should form the important contents for assessing the calibre of performance of the economic organs at various levels and in the enterprises. We should gradually restore the traditional management methods of "three honests and four stricts" [that is be honest in thought, word and deed; set strict standards for work, organization, attitude and observance of discipline] and "should know and should be capable of," further strengthen political and ideological work in the enterprises, and stimulate the sense of responsibility as masters of the house on the part of cadres, staff members, and workers. This year, all the large and medium-sized enterprises will be subjected to an examination of their performances in fulfillment of the quality standard for management; they shall strive to have the quantity stabilizing and enhancement rate of the quality of the major industrial products reach and attain 85 percent and to have the stabilized reduction rate in consumption of raw materials of main products attain 70 percent.

C. Continue To Control the Scale of Fixed Asset Investments and Firmly Readjust the Investment Structure

In 1990, according to the state's initial arrangements, the scale of local fixed assets investments in our province is 9.85 billion yuan, of which fixed assets investment by the whole people is 3.15 billion yuan, an increase of 841 million yuan over the approved plan of the preceding year, while collective investment and investment by individual bodies are, respectively, 2.7 billion yuan and 4 billion yuan, both maintaining the same level of the preceding year. Of the fixed assets investment by the whole people, the state has not yet forwarded to us details relating to capital construction investments transferred from the central government to the local government and the scales of utilization of foreign capital, and investments in commercial housing and middle school and primary school construction, except initially earmarking an amount of 817 million yuan for those purposes with the prospects that for the year as a whole the total figure will be much larger; the investments in technical transformation are 2.2 billion yuan, an

REGIONAL

increase of 891 million yuan. Based on this program and the principle of retaining some and cutting down others, this year the arrangements for fixed asset investment, aside from the absolutely necessary new construction projects, are to stress those projects scheduled for completion this year and those for continued construction, and to pay even greater attention to the technical transformation of the existing enterprises. We shall control building projects for the rank-and-file processing industry and ban the construction of lofty edifices and halls. In the direction of investment, principally it will be to strengthen agriculture, energy sources, communications and transport, intelligence and information, raw materials in short supply, and scientific and educational enterprises, as well as toward construction of basic facilities in cities and towns. Of them, capital construction investments contemplated in the local budgets will mainly make arrangements for agriculture, culture, education, public health, the raw materials industries, and telecommunications. As for the other sectors, investments will be reduced in varying degrees. Hence, certain projects will have to slow down their progress while certain other projects will have to be deferred.

According to the plan, this year there are under construction 36 projects of large and medium-sized capital construction and technical transformation above the limit. Of them, 12 projects will be scheduled for completion and put into use or production during the current year. They principally include generator units Nos. 1 and 2 of the Shangan Power Plant, generator unit No. 1 of the Shalongzi Power Plant, production line of the 10,000 kilovolt-amperes transformer unit of the Baoding Transformer Plant, the Panjiakou accumulated energy power station, Xinhuangdao Phosphorous Ammonium Plant, Jiulongkou pit of the Feng Feng Mining District, Yunjialong pit of the Hantan Mining District, Dongpang pit of the Yingtai mining district, Huabei Oilfield, Baoding furniture-fixture renovation unit, and expanded capacity of Shijiazhuang Fourth Dyeing Plant and the Jidong Oilfield. At the same time with regard to the fixed projects of diversion of the Huang He and the Luen He Power Plant, preconstruction preparatory work will be grasped tightly and well, fighting hard to start the projects soon. All these projects have a direct bearing on the stamina of the economic development of our province and there must be definite assurance that they will be completed and put into operation ahead of schedule.

For the sake of effectively controlling investment scale, readjusting the investment structure and ensuring and guaranteeing the major construction projects, it is planned to adopt measures from five directions: 1) Strictly fixing the power limit of examining and approving projects, overcoming the phenomenon of a diversion and scattering of authority, and requiring projects newly put into construction to be reported for examination according to prescribed schedule. 2) Under the precondition of controlling the gross investment scale, appropriately increase investments in technical

transformation and major projects, increase construction of medium-grade and low-grade commercial housing, and give priority to providing construction funds to the major and urgent engineering projects. Regarding the purely technical transformation projects such as improving the quality of products, lowering the consumption rate of materials and transforming the flow of arcraft procedure, we shall be suitably lenient and lax so as to step up the technical progress of the enterprises and augment the stamina of economic development. 3) Start the collection of investment direction regulatory tax, enforce differential tax rates on construction projects in accordance with the state's industrial policy and lead a portion of the nonmajor construction to the state's major construction. 4) Further consolidate the order in construction and strengthen examination and approval work in construction projects. Carefully choose a number of projects under construction, check and examine each item on planning, construction, capital funds, management, and so forth, make prompt rectification when questionable points are located and strive hard to improve the investment benefits. 5) Earnestly carry out prestige or advanced work on projects. This year advanced work is to be done on 18 large and medium-sized capital construction projects, these including the external transport channel and Huangyi Port of Shenu Colliery, Jidong Iron and Steel Plant, Huabei ethylene engineering, color-crust production line of Shijiazhuang Glass Crust Plant, Wahxian Coalfield, Hanfeng Power Plant, Chuangzhou TDI Engineering, and others. The various districts and cities should also select, in a planned manner and carefully, a number of projects and do well the preparatory work. By all means strengthen the discussion and assessment work on the projects. Beginning from this year, regarding projects subject to examination and approval by the province, the study on their workable character must first go through examination and assessment by the provincial engineering advisory company before final approval so as to gradually put investment activities onto a systematic and scientific track.

D. Strive Hard To Increase Receipts, Economize on Expenditures, and Rationally Readjust the Credit and Loan Structure

This year, the planned financial receipts of the whole province amount to 9.14 billion yuan. Put on a comparative basis with the figure actually realized in the past year, the increase will be 6.2 percent. With due consideration of the heavier burden of deliveries to the central treasury and the relatively large number of increments in expenditures, we shall nevertheless strive hard to overfulfill the plan. In order to increase production, increase receipts, and ease the financial difficulties of our province, the major tasks of financial work this year will be to continue to broaden sources of income, reduce expenditure, and increase revenues. On the one hand, financial and taxation departments at various levels must help the enterprises to improve their management and operations, open up production lanes, and cultivate financial sources. At the same time, they should further strengthen

the collection of taxes and the management of finance, vigorously promote the work of formulating regulations and systems for the individual industrial and commercial bodies and private enterprises, strengthen tax collection work in accordance to law on the individual operators and private enterprises, and ensure the fulfillment of the tasks of increased production and increased receipts. On the other hand, it is necessary to firmly establish the idea of being diligent and frugal in all work and to make all government organs, enterprises, and business establishments shape their expenditure plans tightly and frugally, truly be austere, vigorously enforce economy, and oppose waste and extravagance. Conditions must be created to gradually reduce the administrative expenses when supervising the expenditures of lower-level or subordinate units.

On the side of credits and loans, the policy followed calls for "controlling gross volume; readjusting structure, ensuring major points, depressing the ordinary, promptly regulating, and enhancing benefits" and under the precondition of continuing the guideline of retrenchment attention should be given to performing well prompt and suitable regulation and further readjusting and ameliorating the structure of credits and loans. This year the bank loans increased by the state are principally intended to increase the circulating funds of the enterprises. As for the funds needed for the purchasing of agricultural and sideline products and export commodities for foreign trade and the loans required for the means of production of commodities of a highly seasonal nature such as chemical fertilizer, farm medicine and farm membrane, they all will be ensured emphatically. The hidden potentials of capital funds should be fully tapped so as to invigorate the existing volume of funds. A thorough inspection of all existing loans will be made and loans found to have been overdue, or stagnated or used for other purposes will be withdrawn within a time limit. The target is to clear 30 percent of such loans. At the same time, the enterprises will be urged to clear their accounts, to reduce the inappropriate use of funds, and to speed up fund circulation. The active organization and absorption of savings deposits of urban and rural residents will be continued. There will be raising and merging of funds in the service of production and construction.

E. Strive Hard To Increase Export in Foreign Trade, Actively and Effectively Expand Opening to the Outside

This year, our province has begun to enter the peak period of repayment of foreign loans but the imbalanced state in the supply and demand of foreign exchange still exists. For the sake of ensuring the smooth progress of improvement and rectification and the normal development of the national economy, we must continue to devote efforts to expand exports, to cut down imports, and to manage well and use well the limited amount of foreign exchange available. 1) Continue to improve and perfect the foreign trade exports contracted responsibility system. Incorporate into the contracting targets the

creation of foreign exchange earnings from export, collection of foreign exchange earnings, and possibly losses and deficits; dissect the results level by level; and enforce comprehensive checking and assessment. Enterprises to whom power has been delegated to take up export tasks must fulfill such tasks according to plan. In the case of failure to deliver foreign exchange earnings, the provincial foreign exchange control bureau is empowered to duly make deductions from the foreign-exchange retentions of the local governments. 2) Further readjust the structure of export products, increase the export of electrical machinery products and intensively processed commodities with high supplementary value, and appropriately reduce and depress the export of commodities such as raw materials, initial-grade products, and commodities involving high losses. This year the percentage of commodities of a losing proposition out of the export of miscellaneous merchandise will be reduced to seven percent from the around 14 percent of the preceding year. 3) Stabilize the sources of export commodities and provide major support to the production of commodities with low production costs in the acquisition of foreign exchange and which are marketable. To ensure the export of textile goods, according to this year's plan use of cotton in the production of textile goods, the method of linking with the delivery and sale of export products will be implemented. As for other large amounts of export commodities, the same method may be used to solve the problem of raw materials in production. It is necessary to firmly strengthen the control of sources of export commodities, avoid the occurrence of the phenomena, caused by the readjustment of the foreign exchange rate, of export commodities being unreasonably raised in price, being subjected to crash buying and generally in a state of scarcity and stringency, and prevent the outflow of the sources of commodities. 4) Vigorously open up international markets; on the basis of consolidating the existing markets and stabilizing the existing clientel, actively develop contacts with regions offering high prices for goods such as Europe, the United States, and Japan, reduce interport trade, increase the proportion and amounts of direct exchanges, and endeavor to increase the sales rate of commodities of our province in international markets. 5) Strengthen control over the use of foreign exchange. There should be a unified plan for use of local foreign exchange holdings, first principally on the import of chemical fertilizer, farm medicine, and scarce and raw materials and on the import and introduction of advanced technology. At the same time, attention should be paid to the payment of interest and repayment of principal of foreign loans that have come due. No raw materials and electrical machinery equipment that can be supplied from within the country should be imported in large amounts or even at all. Imports of small sedans and durable consumer goods should strictly be limited and import of luxury goods should be banned. Gradual steps will be taken to change the phenomenon of using foreign exchange too scatteringly. Our limited amount of foreign exchange should be centralized for use on the urgently needed sides of the national economy.

REGIONAL

Actively and effectively absorbing and utilizing foreign capital is an important step in the expansion of opening up to the outside world. This year, concurrently with making the utmost efforts to increase exports and foreign exchange earnings, there will be new developments in this work. According to the plan, there will be 117 local projects making use of foreign capital; the gross amount of foreign exchange utilized will be \$90 million, of which \$33 million will be direct investments by foreign merchants. On the side of planned arrangements and control, the main measures to be adopted are: 1) Separately incorporating foreign-capital utilization projects into the capital construction and technical transformation plans, giving priority to setting the scale of projects and fixing the allocation and coordination of funds. Projects for which agreements have already been sanctioned will be tightly grasped for implementation, and construction work on them will start as soon as possible. The progress of work on projects under construction will be speeded up with the precondition that the quality of engineering work has been duly ensured, and efforts will be made to have them put in operation and produce effects as early as possible. 2) In accordance with the state's industrial policy, the major points in the utilization of foreign capital will be placed on the development of agriculture, energy, transport, communications, raw materials that are in short supply and lacking and that must be imported for a long time, and export products earning foreign exchange and that possess high supplementary and surplus value. The investment environment will be improved. Efforts will be devoted to running well the existing "three capital sources" enterprises, to encouraging the formation of enterprises "engaging in three forms of import processing and compensation trade" and those characterized as having "two heads abroad," and to "grafting as much as possible from certain old enterprises. 3) Further strengthen the utilization and management of foreign loans, actively strive for long-term and medium-term foreign loans at low interest rates and foreign donations, and, regarding projects which have won the recognition of foreign governments and international financial organizations, be sure to organize well the coordination conditions so that they can become realities as soon as possible. 4) Speed up the development steps of the externally oriented economy in the Bohai Bay open-door region, tightly grasp there the construction of the basic facilities and projects that have already been fixed and actively attract foreign merchants to the open-door region to lease or contract for land and seek development. Continue to select a number of projects, speed up the construction of the Xianhuangdao economic and technical open-door region and fight hard to attain a new level this year in such aspects as improvement in technology, grasping tight in management, producing good effects and making more foreign exchange earnings.

F. Make Good Arrangements for Urban and Rural Markets and People's Living and Put Increases in Commodity Prices Strictly Under Control

Performing well a good job in market supply and controlling the rise in commodity prices are important measures to maintain stability in people's living and social stability, and are also the main content of the plan's arrangements. In 1990, our tasks in stabilizing the market and controlling commodity prices are still extremely big and tedious. In the fields of market and price control, it is necessary to do the following jobs well: 1) Earnestly organize the sources of goods, devote efforts to grasping well the production and purchasing of agricultural and sideline products, take as major points of work the efficient organizing of the production and supply of meat, eggs, vegetables and the people's daily necessities of life, and make good arrangements for the masses' "food and vegetable baskets." Regarding a portion of means of production for agriculture and certain other commodities of a highly seasonable nature, gradually set up the systems of reserve funds and funds for market regulation, perform well the jobs of purchasing and warehousing, and endeavor by many ways and means to ensure market supply. 2) Fully display the functions of commercial establishments jointly operated with the state as the major channels and "reservoirs"; the wholesale businesses of important commodities with a bearing on the national economy and the people's living should be firmly held in the hands of commercial establishments jointly operated with the state. The adjustment and control functions of these joint establishments in the circulation realm should be gradually strengthened so as to add to the general capability of stabilizing the market, regulating supply and demand, and leveling commodity prices. At the same time permission will be given to a portion of collective and individual commerce to handle the wholesale businesses of certain minor commodities so as to enliven the market and promote the interchange of goods between urban and rural areas. 3) Constantly analyze and study market trends, correctly grasp market news and information, and earnestly perform well the work of balancing supply and demand and macroeconomic management and control. Concurrently with stabilizing and increasing the residents' savings, actively increase the sales of commodities, vigorously organize the flow of industrial goods from the cities to the countryside, and increase the return flow of money through the disposal of commodities. Further consolidate circulation order, and strengthen the control of market commodity prices. Do a thoroughgoing job in the liquidation and consolidation of companies. Determinedly eliminate such intermediate stages as exploitation through levying high interest rates, rashly raising prices, and disrupting the market. Grasp well the supervision and inspection of the circulation stage and deal heavy blows to such illegal practices as rebuying and reselling by officials for profit, speculative and profiteering activities, and manufacturing and handling false

and low-grade products. Continue enforcement of the target responsibility system in control of commodity prices, strictly carry out the price adjustment measures of the central authorities on the small number of important commodities the prices of which have been decontrolled, impose the system of limiting prices and requiring reports on all price increases which nevertheless must not exceed the price limits. Continue to stabilize the prices of goods necessary for people's daily life as well as labor fees and prices. In no case will there be price increase on commodities such as grain and oil in fixed supply and on labor services, the prices of which, according to regulations, should not be raised. By so doing keep the scale of increase in commodity prices within the targets of the plan.

G. Continue Development of Such Social Enterprises as Science, Education, Culture, Public Health, Sports, and Recreation, and Strictly Control Population Growth

In 1990, the major points of scientific and technical work will be carried out around the themes of "developing agriculture by science and technology" and speeding up industry's progress in technology. Concurrently with continuing to deepen the scientific and technological "double opening up" policy, tackling of difficult problems in science and technology in major projects will be vigorously organized, and scientific and technological results that can produce good and fast effects will be actively developed and promoted. The plan envisages attacking the difficult scientific and technological problems of 115 projects, 15 of which are related to new technology and new arcraft of a relatively high level. Some 400 scientific and technological results will be promoted. In agriculture, emphasis will be laid on the study of the selection and nurturing of superior seeds, regional overall development and prevention of insect pests, and so forth. Major work will be devoted to promotion of superior seeds and good varieties for grain, cotton, oil crops, fowl and cattle stock, aquatic products, fruit trees, and so forth. In addition, applied technologies of superior quality, and featuring high yield and low consumption of raw materials will be put in operation. At the same time, implementation of the "spark plan" and "plentiful harvest plan" will be earnestly grasped. Group contracting will continue to be promoted and a full-course scientific and technological service system for improving and perfecting production will be gradually established, thus rendering overall technical services to agriculture before production, in the course of production and after production. In industry, the major points will consist of improving the quality of products, increasing the variety of products, lowering the consumption rate, and speeding up the development and promotion of new products, new techniques, and new arcrafts. This year, intense effort will be made to seek breakthroughs in the installation of advanced machinery and equipment, production of new varieties in steel production, application of new techniques in smelting, refining, and rolling, procurement of basic raw materials

for light industry, introduction of new arcraft in dyeing, and the production of highly efficient farm medicines and compound fertilizer.

In the field of education, it will be necessary, on the precondition of firmly insisting on the socialist direction of schooling and education, to vigorously upgrade the quality of education, further improve ideological and political work, earnestly strengthen moral education, and make institutions of learning truly become powerful fronts for the training and building up of builders and their successors in the socialist enterprise. Ordinary higher education will continue to stabilize the scale of enrollment of new students, readjust and ameliorate its specialized equipment, strengthen short-line specialization and make a success of specialized education. This year, the plan of enrollment of new students for local ordinary institutions of higher learning calls for taking in 18,850 new students, a modest increase of 1.9 percent over the preceding year. There will continue to be increases in the enrollment of new students for the short-line specialized courses in the fields of light industry, textiles, finance and accounting, foreign economic relations, and foreign trade. In adult education, the major point will be firm insistence on functional training, the schooling direction will be spare-time studies, the system of self-study and examination will be rectified and improved, and there will be strong determination to rectify the phenomena of random opening of schools, random enrollment of students, random collection of school fees, and random issuance of graduation certificates. Continued efforts will be made to grasp well the universal nine-year course of free education, improve the standards of the teaching staff, further improve the schooling conditions of primary and middle schools, and fight for the objective of having a number of towns and townships that have accomplished the standard of actual enforcement of the system of nine years of free education. Professional technical education will be actively developed; enrollment of students in professional technical schools of the higher and middle stages will be steadily increased to the end that more people will have learned a trade and the general quality of workers will be enhanced.

The various kinds of cultural enterprises such as literature, art, news, publishing, broadcast, cinema, television, books, and reference materials and archives hold very important responsibility in the construction of socialist spiritual civilization. They must firmly and irrevocably insist on the four cardinal principles, set social benefits as their highest standard, continue to penetratingly develop the "anti-yellow" and "stop the six vices" struggle, strive to produce more spiritual publications that are healthy in ideology, and encourage people to take part in the reform, opening to the outside, and socialist modernization and construction. This year, it is planned that the publishing houses in the province will turn out over 1 trillion pages of printed matter, and population coverage rate of television is anticipated to be some 82 percent.

REGIONAL

Social enterprises such as public health, sports, and recreation will be further developed and the population growth rate will be strictly controlled. Medical and public health problems must place the major points of work on strengthening prevention and health protection and sanitation in the rural areas, steadfastly strengthening their idea of serving the people with heart and soul, doing the utmost to improve medical morals and medical atmosphere, and continuously enhancing the health standard of the urban and rural people. It is planned that in the whole province the medical and clinical organs will add 3,800 beds and that some 6,000 people will be added to the medical and clinical personnel. In regard to sports and recreation, the major points will be to extensively develop sports and recreational activities of a popular nature and strive to enable the sportsmen of our province to obtain even better results in the domestic and international contests. Birth control work will control to be grasped well. The too-rapid growth in the population, particularly in the rural areas, will be strictly controlled to the end that the population control target for the year will be realized.

III. Firmly Insist on Improvement, Rectification, and Continued Deepening of Reform, and Strive Hard To Realize This Year's Planned Tasks

Dear representatives! This year the plan of our province for the provincial economy and social development is still a plan for readjustment, and the tasks on various sides are exceedingly difficult. In order to complete the designated tasks of the plan in an all-round manner and smoothly realize the macroeconomic adjustment and control targets, it is most important, on the precondition of striving hard to maintain political tranquillity, economic stability, and social stability, to continue to firmly and irrevocably push deeply for improvement, rectification, and reform of the economic structure.

Improving the economic environment and rectifying the economic order require much work to be done. Aside from the measures arranged and adopted in the plan, in the course of organizing and implementing these measures, the following points must be given special attention: First, attention must be paid to strengthening planning and guidance over production and circulation, and striving hard to rectify the state of weakness in market sales. Since the fourth quarter of last year, in the economic operations of our province, problems have appeared of the large-scale stockpiling of products, extreme shortage of capital funds, and a too-drastic drop in the speed of production. These have been caused principally by the weakness in market sales and are indeed new contradictions that have appeared in the course of improvement and rectification. In overcoming the current contradictions and problems, it is necessary to take into account the changed conditions and miss no opportunity to adopt measures to solve them. On the precondition of continuing to insist on the "double tightening" guideline in finance and in credits and loans, we should appropriately loosen the money market,

promptly and suitably regulate and smooth out circulation channels, and push the development of production. Banks at various levels should strengthen their adjustment of funds, do the sliding or slanting of funds in a planned manner and well, and appropriately increase their loans to industry, commerce, foreign trade, and material resources; interest rates on deposits and loans should be readjusted, differential loan interest rates should be enforced, the settlement form of entrusting banks to pay or to collect should be resumed, increasing and opening up sources of funds should be appropriately carried out, and account balances and debts between enterprises should be promptly liquidated and settled. For the sake of helping the enterprises to get out of their financial dilemma, the provincial government has set up a special leadership group which will be responsible for the work of liquidating "three-cornered debts." Marketing work will continue to be strengthened, the purchasing and sales contracted responsibility system in its various forms will be improved and perfected and the activism of the marketing personnel will be further aroused. Urban and rural markets will be greatly opened up and augmented and marketing of products inside the province will be expanded. Production and sales liaison between industry and commerce and between industry and trade should be strengthened, production and sales agreements should be signed between them, sales of marketable products should be increased, channels of sales should be widened, thus enlivening the circulation of commodities. Second, we should correctly guide consumption and strive hard to ease the contradiction of injustice in social distribution. During the period of improvement and rectification, on the one hand we must control and restrict the too fast growth of the consumption fund and on the other hand should pay attention to the correct guidance of consumption. What we mean in saying that we must pass tightened days is that we must cut down the portion of consumption demand in excess of the growth of economy and not that the masses must pass tightened and difficult days. On the contrary, for the sake of pushing the healthy development of the economy it is necessary to encourage and guide the masses to undertake a suitable degree of consumption. Injustice in social distribution is a problem centrally manifested by the extensive masses of people. We must firmly grasp the study and formulation of a concrete measure for its solution. The policy of encouraging prosperity through labor must be continued to be implemented. We must further improve and perfect the system of having the people report individually on their income for purposes of taxation, reinforce the collection of taxes from people with too-high incomes, quickly improve the control and management system over the income of the personnel of various kinds of companies and those engaged in "second professions," so as to solve the problem of excessive discrepancies in income distribution. Third, technical progress should be vigorously pushed and we should more extensively and deeply develop the "double-increase and double-economy" movement. This is a basic measure to perform well improvement and rectification, overcome the current economic difficulties, and

enhance the economic effects. This year, the major point of work on the part of the enterprises should be to economize in the use of energy, lower the consumption rate of raw materials, and improve the quality of products so as to effect technical progress. They should further perform well the job of technical transformation and should combine technical transformation with development and introduction of technology and the creation of good-quality products. The major point is to solve certain problems from the standpoint of structure. The enterprises may set aside a fixed percentage from marketing receipts to form scientific and technological development funds, establish their own scientific and technical development organs, and gradually increase the ratio of engineering and technical personnel engaged in technical development in the total number of engineering and technical personnel. We must as soon as possible set up and perfect a system for checking and inspecting the targets for technical progress of the enterprises. The system should be included as an important part of the contracting agreement and must be fulfilled according to schedule. In order to push progress in technology, the provincial government plans to set aside three percent of the extrabudget funds to set up a fund for developing and expanding new technologies and new products and to earnestly perform well the jobs of digesting, absorbing, and creating something new in the introduction of technologies. Basic management work of the enterprises should be strengthened and we should intensify the work of achieving the targets in this connection. The enterprises' overall quality control and business accounting systems should be augmented. All enterprises should turn their eyes inward, improve management and control, and continuously improve profits. We should further grasp well the work of cutting down deficits and increasing profits by the enterprises. Regarding large enterprises annually producing profits and taxes in excess of 10 million yuan each, we should continue to suit measures to the plant's conditions and continue to provide them with a policy of support. Priority arrangements should be made for the supplies, raw materials, funds, and transport facilities that they need. The method of supply of fuels to them should be improved and, in the case of enterprises burdened with relatively heavy mandatory production tasks, intermediate supply stages should be minimized in number so that the enterprises may procure directly large amounts of materials which they need. Regarding deficit enterprises, continue the measures of "contracting completion of jobs when incurring losses," "excess losses not to be compensated," "enterprises to be retained when losses are cut down," and "profitmaking enterprises after losses to be wholly retained." This should gradually reduce and eliminate operational losses. In the case of units suffering losses for a protracted period and having no hope for improvement, then be determined to have them "closed, suspended, merged, or shifted to other trades." This year the plan is to reduce by 25 percent from last year the number of industrial enterprises incurring losses and deficits contemplated within the budget. Fourth, employment channels should be widely

expanded. Good arrangements should be made for the unemployed. Based on the guideline of combining unified arrangements, social relief, and individually looking for jobs, we should continue to encourage the development of urban, rural, collective, and individual economy and further add to society's capacity to provide employment. It is necessary to perform well the job of suspending or semisuspending the production of enterprises, and do less closing or suspending work and but more merging and trade-shifting work. Regarding unemployed workers, they should be treated according to their different conditions, be paid some wages and living expenses, and be provided with assurance for a basic livelihood. Surplus personnel in existing enterprises should as far as possible be given further technical training and, by means of such measures as inspecting and repairing the enterprises' existing equipment, clearing the warehouses, and so forth, continue to keep them in the enterprises. The major point in cutting down and clearing the use of labor outside the plan is to cut down the number of agricultural civilian laborers outside the plan so that they may fully display their role in rural economic construction. We should carry out planned control of a mandatory nature in regard to the target of "conversion from agricultural to nonagricultural pursuits" and should strictly abide by the policy and planned control, without making the least violation. At the same time, gradually establish a good social insurance and social protection system so as to ensure social security and the people's peace of mind.

Closely linking together improvement, rectification and deepening the reform, and further intensifying and perfecting the various reform measures are important guarantees for realizing this year's various planned tasks. Based on the central government's guideline of stabilizing, filling in, consolidating and upgrading the various reform measures that have been put on stage, this year the major points of reform of the economic structure of our province will be along the following four lines: 1) Continuing to firmly insist on and perfect the contracted operation responsibility system. Regarding those enterprises whose contract agreements have expired or will soon expire, continued signing of the contracts will be firmly grasped so as to keep the contracting rolling. In the new round of contracting, the major points will be to differentiate between different conditions, rationally determine the contracting period and the contracting base, improve the structure of the contracted target, improve the contracting method, make sure the contracting agreements possess not only targets for results and for management and control, but also targets for technological progress and for stamina in development, so that the contract system, concurrently with displaying and encouraging the functioning of the mechanism, can augment control over the mechanism, and correctly handle the interest relationships between the state, enterprise, and staff members and workers, as well as the long-term and current interests between them. 2) Earnestly implement the "enterprise law," continue to insist on and improve the plant head responsibility system,

REGIONAL

fully display the plant head's independent responsibility and role in operating and managing the enterprises, directing production, and developing technology, and ensure the plant head's capability to exercise his power of decisionmaking and direction in production and management. We should vigorously strengthen the leadership of party organs in the enterprises over ideological and political work, give priority to displaying the functions and role of popular organs such as the staff members representatives congress, labor union, and Communist Youth League, protect the legitimate rights of the staff members and workers, and further arouse the enthusiasm and activism of the staff members and workers. 3) Utilize the beneficial opportunity offered by improvement and rectification to strive to expand lateral combination among the enterprises, organizing in a planned manner a number of enterprise groups, with products of well-known brands forming the dragon head, further pushing the assets in stock to flow in the direction of becoming assets of superior quality and realms of high effects, and making the essential elements of production attain amelioration on an even larger scale. 4) Vigorously strengthen and improve the macroeconomic adjustment and control structure and the construction of systems and gradually probe into the operational mechanism of the combination of planned economy with regulation by market mechanisms. First, based on the principle of combining planned economy with regulation by market mechanism, fully display the plan's guiding, adjusting, and controlling role over the economy. The major point is to improve management of mandatory planning and perfect the method of enforcing guidance planning. This year, the province will, based on relevant regulations of the state, differentiate between the natures of different ownership systems, different enterprises, different industries, and different products, and map out anew the realms and scope of mandatory planning, guidance planning, and regulation by market mechanism and appropriately raise the relative weight of mandatory planning. All districts, cities, departments, and units should consciously maintain the solemn character of mandatory planning. The state is to ensure the necessary production conditions for enterprises, and the enterprises must abide by the demands fixed by the plan as to quantity of production, variety and specification of products, quality and time limit of delivery, and definitely ensure the plan's fulfillment. Second, appropriately expand and increase the scope and relative weight of the state's unified allocation of resources. The original base figures of the enterprises' deliveries to the state and of the unified allocation of material resources by the state can by no means be reduced, and, in certain cases, appropriate upward increases should be contemplated. Industrial enterprises taking up production of a mandatory nature must follow the plan to organize production, report their available resources, accept placement of orders according to needs, and deliver the goods on time according to the agreement. Enterprises newly put in operation, should, according to the relative weight of the investment, ensure fulfillment of the task of upward

delivery of the finished goods. Of the means of production designated for self-sales, a portion must be set aside for fixed disposal by the state. In short, it is necessary to continue the development and improvement of the market for means of production, actively organize the sources of goods, do a good job in adjusting surplus and shortage, improve services to the economy, and invigorate the circulation of goods. Third, continue to deepen the reform of the financial and currency structure, further strengthen the functions of the People's Bank in macroeconomic adjustment and control, strengthen management of the specialized banks, and further display the regulatory functions of the lever of interest rate vis-a-vis demand for funds and direction of flow of funds. We must earnestly grasp the piloting work in the reform of rural credit cooperative societies, steadily develop the currency market, continue to develop short-term merging of funds, appropriately issue and float stocks, shares, and debentures, and generally ensure the rational usage of funds. Fourth, under the current structure of financial contracting, we should appropriately centralize financial power, put a portion of extrabudget funds within budget control, and add to macroeconomic adjustment and control power of the provincial level. Let us take a step further in improving and perfecting the management structure of investment, taxation, and prices, smooth out relations between the various economic functional departments, set up a system for macroeconomic balancing and regulation, augment the overall operation of the various regulatory measures, and definitely ensure the realization of the objectives of macroeconomic adjustment and control.

Dear representatives! In 1990 our province has entered the stage of attacking the difficult problems in improvement, rectification, and deepening of the reform. Problems accumulated through the years and newly emerging contradictions have been knitted together and difficulties from various sides are being relatively centralized. This year is the last year of the "Seventh 5-Year" Plan. Not only must we ensure fulfillment of the plans for the current year, but also we must give thought to and centralize our forces in mapping out the socioeconomic plans for the "Eighth 5-Year" and the 10-year plans. We must perform a good job in connecting the "Seventh 5-Year" and the "Eighth 5-Year" Plans. Indeed, the tasks before the people of the whole province are exceedingly enormous. However, we must note that we have still many advantages in overcoming the current difficulties. In particular, at present our country's political, economic, and social stability and the fact that the guideline of improvement, rectification, and deepening of the reform has won the heart of all the people have provided important assurances to the economy of our province proceeding in a benign direction. If only we can determinedly implement the spirit of the Fourth, Fifth, and Sixth Plenary Sessions of the 13th CPC Central Committee, earnestly carry out the various decisions of the Third Session of the Seventh NPC, tightly surround and adhere to "one center and two basic points," firmly and irrevocably push improvement, rectification, and

deepening of the reform, refreshen our spirit, work hard, and perform the various tasks in a down-to-earth manner, the 1990 plan for the economy and social development of our province can surely be fulfilled in an all-round manner.

NORTHEAST REGION

CPC Journal Expounds Daqing Spirit

90CE0219A *Harbin FENDOU [STRUGGLE]*
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[Article: "Study and Carry Forward the Daqing Spirit"]

[Text] During late February and early March 1990, General Secretary Jiang Zemin inspected Heilongjiang Province, traveling to Qiqihar, Daqing, and Harbin, where he went among the masses to have cordial conversations with workers, peasants, intellectuals, grassroots level cadres. The general secretary served as a model in cementing relations between the party and the masses. Specifically, upon alighting from the train upon his arrival in Daqing, Comrade Jiang Zemin hurried straightaway to the home of Iron Man Wang Jinxi [3769 6651 0823] to pay a call. He wrote a few commemorative words for Wang Jinxi's granddaughter as follows: "Carry on and carry forward the spirit of the Iron Man to be a worthy descendant of the Iron Man." Next he wrote a few commemorative words for the Daqing Petroleum Administration as follows: "Carry forward the Daqing spirit, be self-reliant, struggle arduously, and strive to build a distinctively Chinese brand of socialism." For Comrade Jiang Zemin to show such concern for passing the Daqing spirit along for generation after generation is truly an extremely important matter.

The worthy descendants who continue the Iron Man's cause and carry forward the Iron Man's spirit have grown to maturity in Daqing. Today, the No. 1205 well drilling team that the Iron Man led before his death now numbers 43 staff members and workers none of whom knew the old team leader during his lifetime, yet the glory of the Iron Man's spirit shines in their persons, and far beyond this team as well. Among the old models at Daqing, crop after crop of new typical representatives appear. During 1989, 1,781 civilized units, 6,468 teams and groups, and 75,791 individuals were selected from all over the city. This is not just a dry statistic, but a body of people that radiates a patriotic, pioneering, realistic, and devoted spirit. When Comrade Jiang Zemin personally witnessed that the entire oilfield was brimming with the Daqing spirit that exhibited such a Chinese working class style, he said with extreme joy, "This spirit has been passed along from one generation to another, and is now permeating people's hearts ever more deeply. I believe such a Daqing spirit is just what we are extremely in need of today. Not only is it needed in the industrial sector, but all trades and professions should study the Daqing spirit. I will learn this spirit from you!"

What is the Daqing spirit? First it is a patriotic spirit of winning glory for the nation and winning credit for the Chinese people. Historically, the Chinese people have not knuckled under to outside pressures or any hardships. They have a magnificent patriotic tradition of fearlessness, of refusing to be taken in by fallacies, and of working with all their might to make the country strong and to bring credit on the race. "The plum blossoms are like tears for the vanquished country, and a sliver of a moon is like the heart of an old minister of state." These two lines of poetry extol national hero Shi Kefa [0670 0668 3127] [of the Ming dynasty]. As history rolls along and the times change, the patriotic spirit of Daqing takes on a new meaning, namely the oneness of patriotism and perseverance in a socialist orientation. The patriotism is for the socialist motherland, and the struggle is for socialism. Several decades ago, when Wang Jinxi saw that the country lacked petroleum, and that buses carried coal gas bags, he felt ashamed and carried a great weight on his shoulders. He resolved to redress the problem. In the battle, the campaigners of Daqing adopted a lofty spirit of "making utmost effort to bring in a big oilfield even if it means dying 20 years before one's time." They worked arduously, and within the short space of three and a half years, they brought in the big oilfield. This was a patriotic pioneering effort that changed China's use of foreign petroleum. During the Great Cultural Revolution, they held out against the destruction of the gang of four, resoundingly espousing, "Going all-out for socialism is reasonable; going all-out for socialism is meritorious; and going all-out for socialism is glorious." During those trying days, their annual petroleum output reached a peak of 50 million tons. In the struggle against bourgeois liberalism, the patriotic spirit of Daqing rose to new heights. They adhered to the nuclear leadership of the party in enterprises, opposed the negative effects of weak ideological and political work, and conducted education in adherence to the four basic principles among the masses, clearly calling for "socialist modernization, not bourgeois liberalization." They used a mass campaign of having people tell their own or other people's true stories to compare the new and the old society, to compare the two social systems, to compare situations before and after the Third Plenary Session of the 11th party Central Committee, to genuinely understand socialism in China, to realize the correlation between adherence to the four basic principles and reform and opening to the outside world, and the importance of stability and unity to heighten confidence in unwavering adherence to the socialist road and unwavering reliance on the leadership of the Party. In halting disturbances and quelling riots, they were able to "sit calmly in a fishing boat while weathering any storm" in demonstration of their political steadfastness. Comrade Jiang Zemin made the following very important point: "All sorts of feelings ran through my mind when I saw Comrade Wang Demin in Daqing. He is also an intellectual who speaks very good English, and who has fought at Daqing for 30 years. As Lu Xun said, we China have backbones that are very hard! So I say, your first

spirit, that is the patriotic spirit to struggle for the glory of the nation and for the credit of the Chinese race is very important."

The second meaning of the Daqing spirit is the daunting pioneering spirit of arduous struggle and self reliance. Everyone is aware that Daqing was built through a spirit of arduous struggle whereby "people lugged things and carried them on their shoulders," used "rammed earth construction," "sewed and mended," "waged revolution with five shovels," used "reclamation teams," and "repaired and used discarded things." The essence of the arduousness lay in going all-out to blaze new trails and to realize lofty ideals. Such a spirit continues to be carried forward and glorified in Daqing. Since the advent of reform and opening to the outside world, very great improvements have been made in conditions in all regards, and some people have also said critically that talking about arduous struggle is for the purpose of putting a good face on backward productivity, a statement that the people of Daqing criticize. The masses say that China is still relatively poor; only through arduous struggle will it be possible to realize the magnificent strategic goal of catching up with developed countries. Today's arduous struggle certainly does not mean moving out of high-rise buildings back into "rammed earth construction," but rather to overcome difficulties in moving ahead, to share the cares and burdens of the country, and to make a greater contribution. No doubt, all sorts of difficulties will be encountered on the road while moving ahead that will require continuing and carrying forward a spirit of arduous struggle, gradually improving life by steadily improving labor productivity rates. In commemorating 30 years of development of the Daqing oilfield, 10 models were established, including Shen Guan [3947 0385], an iron man-like team leader; Chen Jinyou [7115 6855 0645], a selfless oil production crewman who made contributions; and Wei Xingzhu [7614 5281 2701], a personnel cadre who did not strive for private gain. The cadres continue to adhere to the few simple rules observed by all concerned in the early period of the battle of "workers on three successive shifts, each shift having a leader," "cadres being as oil-soaked as the workers," and "the work of official agencies centering on grassroots activity, and everything centering on production." Seeing that public buses in Daqing still ran on coal, Comrade Jiang Zemin was very greatly touched. Couldn't Daqing use a little petroleum. How much would it take! With an annual output of 50 million tons, a tiny bit could be used. But, in order to help the country conserve gasoline, the people of Daqing would rather inconvenience themselves a little. Such a spirit of arduous struggle is worthy of esteem. Nowadays there are unhealthy trends and evil practices termed "benefiting from being in the right place at the right time," and "getting whatever advantage one's circumstances permit." Like other decadent practices, such unhealthy tendencies in performance of duties has a very corrosive effect on cadres and the masses. Unless it is resolutely halted and overcome, there is no use talking about a spirit of arduous pioneering, or talking about

cohesiveness and fighting strength. The reason is very simple, what discipline, principle, and spiritual support comes from "taking one's cut of everything that comes one's way," or "looking at everything in terms of money"? This leads inevitably to softness, sloth, lack of discipline, and chaos.

The third meaning of the Daqing spirit is regard for science, and a truthful spirit of the "three honests and four stricts" [be honest in thought, word, and deed; set strict standards for work, organization, attitude, and observance of discipline]. This spirit is indispensable to socialist modernization. Unless one pays attention to science in bringing oil from underground to the surface, and unless one adheres to the "three honests and four stricts," and has a spirit of scrupulousness about every detail, the job cannot be done. In order to pass this scientific work attitude along generation after generation, Daqing inculcated high standards and strict requirements for new workers and college students requiring "those who enter the Daqing door to act as Daqing men. In addition to strict enforcement of rules and regulations, and conducting campaigns for passing on experiences, "masters instructed apprentices, and fathers taught sons" to pass along ideology, to maintain work style, and to help with techniques. They began with the basics. It made no difference whether they were taking samples for chemical testing, or whether they had to go long distances many times over. During the past several years, Daqing encountered problems in increasing output, in high petroleum-producing areas entering a high water-content period in extraction, and oil being extracted from peripheral areas as much as 1,000 li distant, all of which was from small structures and complex strata. Thus, to get a 50 million-ton annual output that remains steady for 10 years, double the former amount of work will have to be performed. The petroleum is under the ground where it cannot be seen or felt, so various analyses must be performed with seismological techniques when being just a little bit off will not do. After drilling down 1,000 meters, the place where the blast is set off has to be placed just right. It has to be directly in the oil-containing stratum; otherwise, it is useless. In short, science must be respected, tests have to be precise, and a large quantity of data used. Today, Daqing has already summarized a body of scientific experience, and it understands the rules. This plays a very great role in understanding the situation at the bottom of oil wells to increase output.

The fourth meaning of the Daqing spirit is the contributory spirit of bearing the overall situation in mind, caring for and sharing the country's burdens. During the past 30 years from the opening of the Daqing oilfield to the present time, the staff member and worker corps has been steadily replaced. In order to share the cares and burdens of the nation, a contributory spirit of accommodating others while Daqing bears the burdens, and of enduring hardships before enjoying benefits has been passed down from one generation to another. At the end of 1989, some oil crews' output fluctuated. The geology

brigade and the technology brigade assigned more than 240 outstanding cadres who were to conduct a full investigation and to help them find the problems and formulate solutions. Night and day they battled on the well platform, waging a "20-day war at 100 wells." Braving bitter cold, they completed the task three days ahead of schedule. The full picture of Daqing's spirit of making a contribution may be seen from the No. 3 oil extraction plant alone. There worked Zhu Guoqi [2612 0948 2475], who carefully and conscientiously tended a station his whole life long; Liu Guoen [0491 0948 1869], who diligently tended a well his whole life long; Xin Kecheng [5514 4371 1031], who repaired discarded things for use his whole life long; Li Jinfan [2621 6855 5400], who grew vegetables his whole life long; and Ge Zuyao [5514 4371 1031], who cooked his whole life long. There were 233 old campaigners like this who self-effacingly contributed their entire lives. They did not receive munificent benefits, much less did they receive high pay. They simply worked out of a lofty spirit of making a contribution. Comrade Zhu Guoqi was an exemplary party member in Daqing City who had worked for 24 years at North Station 22. Both as a worker and as a cadre, he never left the crew from one year to another. He worked 24 years without taking off a single Sunday, and neither did he return home for the Lunar New Year. Furthermore, he never asked for any overtime pay. Communist Party member Li Jinfan grew vegetables for the workers for 30 years. He stood up to the scorching heat of summer, and during winter he faced the high temperatures in the large growing shed. Over the course of 30 years, he wore out 53 pairs of clodhopper shoes. With the help and example of these old campaigners, a new generation of youth was also growing up healthy and strong. Daqing model worker Jia Dongying [6328 2639 5391] taught her daughter Wu Cheng [0702 2052] to become a worker like herself. Wu Chen continued and carried forward the spirit of contribution of the older generation. When she married late, she did not take a late marriage vacation, and when she was five months pregnant she competed with men in doing hard physical labor. After becoming a station chief, she made the station into the "first-rate low-consumption model station" in the province and in the petroleum and natural gas corporation. After Jia Dongying's son, Wu Chenglong [0702 2052 7893], became a worker, he made up his mind to become a fine progeny of the people of Daqing, making a lifelong contribution. At work, he chose the most tiring and more arduous jobs, and he became successively a shift leader, a crew chief, and gloriously entered the Communist Party. His family was selected as a "model party member's family." Comrade Jiang Zemin was extremely pleased with these deeds and praised them highly. A new generation of working class people is growing up strong and healthy in Daqing, producing numerous outstanding personages. This is a very joyful event, and this is the hope of Daqing.

The Daqing spirit is that while Daqing creates tremendous material wealth for the entire country, it also

creates a precious spiritual wealth for the country's working class, and for the broad masses of people. No power hostile to the party and to socialism can invade Daqing. Being able to turn out material goods as well as spiritual goods should become an important mark of socialist enterprises. The significance and role of this spiritual wealth will far surpass the value of the material wealth created at the same time. Marx was very right when he said, "The weapon of criticism cannot take the place of the criticism of weapons, of course; material force can only be destroyed by physical force. However, once the masses grasp theory, they can convert it into physical force. So long as theory convinces people, it can control the masses; and so long as theory is thorough, it can convince people. By thorough is meant grasping the fundamentals of matters. However, the fundamental of man is man himself." The experience of Daqing was a grasping of these fundamentals. Theory was used to control the masses, as well as to create material wealth and to create valuable spiritual wealth, namely the Daqing spirit. A most fundamental part of the Daqing spirit is adherence to Marxism-Leninism-Mao Zedong Thought in arming the people of Daqing. The first decision that the oilfield CPC Committee made during the early period of the campaign was to study the "two ons" of "On Practice" and "On Contradictions" as a guide for seeing events correctly, seeing contradictions correctly, seeing hardships correctly, unifying ideology, and unifying will, organically linking revolutionary spirit with scientific attitude to win victory in the campaign. Following Central Committee commendation of Daqing in 1964, they again organized the masses of staff members and workers for the study of Mao Zedong's philosophical thinking; a search was made from top to bottom for failure to measure up; and the "one-divides-into-two-method" was upheld for further advances. During the Great Cultural Revolution, the Lin Biao and Jiang Qing clique adopted a pragmatic attitude toward Marxism-Leninism-Mao Zedong Thought. On instructions from Premier Zhou, staff members and workers at Daqing restudied the "two ons," to resist the interference and damage, and to revive the fine campaign tradition of Daqing. Following the smashing of the gang of four, in order to break the fetters of the "two whatevers," Comrade Deng Xiaoping's exposition on fully and correctly understanding the scientific system of Mao Zedong Thought was studied, discussions were conducted on the standards of truth, and the ideological line of seeking truth in facts was upheld. In recent years, the focus has been on the erroneous trend of thought whereby bourgeois liberalism negates the guiding role of Marxism in socialist modernization, with much discussion of practice in the growth and thriving of the "two ons" at Daqing. Study is devoted to basic Marxist theory, and the basic line of the Party. Young workers study courses titled "Recent History of China," "Elementary Knowledge of Scientific Socialism," and "The Chinese Working Class." They adhere to the Marxist standpoint, outlook, and methods, correctly solve new problems encountered in reform and opening to the

outside world, maintain clear heads, heighten their consciousness about carrying out the basic line of "one center and two basic points," and guard against one tendency covering up another tendency. Daqing's 30-year history of linking theory to practice in upholding the study of Marxism-Leninism-Mao Zedong Thought shows the Daqing spirit to be a concrete expression of the Marxist world view and methodology. Understanding of this scientific world view and methodology enables one to see and think clearly in the face of diverse, confused, and complex events, and thus be able to overcome severe hardships and be brave in making contributions selflessly and fearlessly.

People must always have some spirit. Comrade Mao Zedong and Comrade Deng Xiaoping emphasized these words numerous times, and they are entirely right. Spiritual armament that is progressive, lofty, and go-getting can be converted into a powerful material force, and can increase confidence and strength in overcoming difficulties. Therefore, not only was the Daqing spirit needed in the past, but it is still very much needed today during the four modernizations, reform and opening to the outside world, and in the deepening of improving the economic environment and restructuring the economic order. We remember a fine historical experience in maintaining the stable and coordinated development of the economy, but there will certainly be quite a few difficulties on the road ahead. The present market slump differs from overproduction in capitalist countries in that the supply of numerous things is not greater than demand. The reasons for this turn of events are very complex; however they can certainly be turned around after appropriate adjustments and with the joint efforts of all. This requires energetic encouragement of study and carrying forward of the Daqing spirit to stimulate people's fighting will to meet difficulties and ultimately triumph over hardships. We are integrated theoreticians who stand for a combination of spiritual encouragement and material encouragement. Unbounded exaggeration of the role of spirit, supposing spirit to be omnipotent, or unbounded exaggeration of the role of the material, supposing the material to be omnipotent are not Marxist points of view. The spiritual and the material serve as means of encouraging people to produce and to work actively. Each of them plays a role in its own sphere. Thus, we must adhere to the mass line, educating all laborers in patriotism, collectivism, and socialism, as well as in arduous struggle and self-reliance in the same way as in Daqing. Not only in difficult times should Daqing be studied, but when things turn for the better and are going smoothly in the future, indoctrination should be adhered to, and the study of Daqing upheld. This is not an expedient measure, but an undertaking of vital and lasting importance. It is a strategic measure in the building of socialist spiritual civilization, and in nurturing people possessed of the "four haves." Material inducements alone will not work. Enthusiasm aroused in that way cannot last for long and cannot stand the test of vicissitudes. One cannot suppose that a people lacking

powerful spiritual support can make their own way in the thicket of the world's people.

Today, stability prevails over all else as far as we are concerned. We must continue to consolidate and develop a stable and unified political situation. We seem to be the most stable and unified of all the socialist nations, and no matter how the world may change, we will have to always look to ourselves, and handle our own matters well. Efforts to improve our economy are, in the final analysis, most important for increasing economic power, and economic stability is the foundation for the stability of the whole nation and society. Improvement of our economy means having an invincible position, and it is also an important contribution to world peace and to the cause of international communism. "Peaceful evolution" is the established strategy of antagonistic Western forces, which they will not abandon. Thus, the struggle between "peaceful evolution" and opposition to "peaceful evolution" will be long-lasting. We must keep our wits about us and make full spiritual preparations. Our attitude is first, to oppose, and second, to remain undaunted. There is a term, "moment of inertia" in the natural sciences. China is a vast country possessed of a huge population with 5,000 years of history that has been building socialism for 40 years. If you intend to topple such a large mass, you had better be careful. Instead of toppling it, you may take a fall yourself because of the role of the "moment of inertia." The Chinese people have never knuckled under to outside force. Whenever subjected to the bullying and humiliation of a foreign power, the whole people has risen in joint resistance to foreign aggression. Such national pride, national integrity, and national unity cannot be deprecated. No matter how changeable the situation, we must adhere to the fundamental line of the 13th Central Committee, unswervingly follow our own road, and do a solid job as a means of surely realizing our objectives.

General Secretary Jiang Zemin called for the launching of a thoroughgoing campaign of learning from Daqing during his inspection of Heilongjiang Province. Since Daqing is located in Heilongjiang, we should study it even better, more solidly, and stress fuller results. The decision to study Daqing that the provincial CPC Committee made in 1989 is to be implemented more fully, the events in study of the previous stage summarized, and further measures planned for studying Daqing to bring about a new upsurge in studying Daqing. In studying Daqing, we must guard against formalism. Superficial sound and fury while actually remaining indifferent must be overcome. Thus, in studying Daqing, three links must be made. The study of basic Marxist-Leninist principles, the party's basic line, and basic knowledge of the party should be organically linked to the study of Lei Feng. The "screw" spirit of Lei Feng must be diligently employed in reading, and the spirit of Daqing must be employed in grasping the standpoint, outlook, and methods of Marxism-Leninism in the launching of a campaign of "study Lei Feng and establish

a new style; study Daqing and build new merit." The study of the Daqing spirit should also be linked to the understanding of one's own ideology and improvement of one's own efficiency on the job. It should also be linked to stabilizing the overall situation throughout the province. Carry forward the Daqing spirit; overcome temporary difficulties; and promote the sustained, steady, and integrated development of the province's economy.

NORTHWEST REGION

Mediators Handle Crime, Social Problems in Xinjiang

90CM0231A Urumqi XINJIANG RIBAO in Chinese
2 May 90 p 4

[Unattributed article: "Mediators Who Are Active in the Agricultural Corps"]

[Text] Within each of the Xinjiang production and construction corps, and over the length and breadth of the land, more than 15,000 members of the People's Mediation Contingents are springing into action. In order to bring stability to the border of their homeland and bring tranquility to the lives of the masses, they work industriously in mediating disputes, enabling neighboring families that have incurred each others hatred to live in harmony, and [helping] couples that have become separated to come together again, while heading off disputes between those who would take up arms against each other and endanger people's lives. The People's Mediation members serve to maintain the stability and uphold the unity of the corps, giving full play to their function as "cornerstones."

Amidst the Saber-Rattling

At noon on 7 February of this year, the family of Chen Shengqing [7115 0524 3237], forest protection worker in the 5th Agricultural Division's 83d Corps' 1st Company, was surrounded by a group of more than 20 threatening youths wielding wooden clubs. The 10 or so family members and friends who were in Chen's home also took up shotguns and cudgels. Both sides hurled insults while refusing to give ground, and it looked as though they would imminently come to blows.

When Song Qiulai [1345 4428 0171], head of the Administration of Justice Office, heard this, he and the forestry section chief and person in charge of military equipment rushed to the site. There they decisively inserted themselves between the two sides, and began earnest mediation between the belligerents: they said that during the Spring Festival, groups of people had gathered to pick quarrels and stir up trouble, lay siege to residences, and provoke disputes, a situation which had already had bad social effects, and the responsibilities of the principle parties ought to be investigated. If the two sides would take the initiative and withdraw from the site now, it

would reflect well on them and perhaps another investigation would not be necessary. After hearing these words, some of the people involved in the troublemaking left the site one by one. But the main parties in the dispute did not heed the advice, and continued to hold their ground. Song Qiulai and comrades from the company mediation committee separated them, and tried to find out the cause of the affair from both sides. It had started on the morning of 6 February, when the sons of company workers Ma Yusheng [7456 3768 3932] and Wang Mingyi [3769 2494 5030] were trying to catch a flock of sheep that had entered and were grazing in the forest belt watched over by Chen Qingsheng. A youth hired by Chen blocked their way. At 11 am on 2 February, Ma Yusheng's son waylaid this youth and fiercely attacked him. The youth ran home and called his younger brother and another youth; they gave Ma's son a beating. At around two o'clock, Ma Yusheng, in collusion with the son of Wang Mingyi, mustered a group of around 20 youths and threateningly surrounded Chen's home, demanding that Chen immediately hand over the worker who had beaten [Ma's] son. After they understood the situation, Song Qiulai and Wu [0702], chairman of the company mediation committee, talked separately with the principal parties of both sides concerning relevant laws and regulations, pointed out that their behavior could bring serious consequences, and urged them to observe discipline and obey the laws. After six hours of work, the principal parties on both sides gave up the idea of fighting to the bitter end. The principal parties who had laid siege to Chen's home acknowledged their error, and went to Chen's home to shake hands and make up, accompanied by Song Qiulai and chairman Wu.

When a Knife Is Raised

Guan Yiping [4619 0001 1627], who has served as the head of the 4th Agricultural Division's 70th Corps' 11th Company Mediation Committee for more than two years, has handled mediation for 97 disputes, and prevented 26 disputes from intensifying. Last year, on the evening of 27 October, company workers Yan Junwei [0917 6511 0251] and Yang Desheng [2799 1795 0524] got into a quarrel as a result of drinking alcohol. Yan, who accused Yang of taking liberties with his wife, was wielding an axe and threatening to kill Yang. When Guan Yiping heard about this, he dispatched someone to inform the other committee members, followed Yan to Yang's home, and immediately wrested the axe away from Yan. Yan, catching everyone off guard, seized a melon knife that the Yang family had left on a tea table and raised it to take a stab at Yang. Guan Yiping vigorously threw himself on Yan without the least hesitation, grabbing him around the waist. Yan bellowed: "Let me go or I will use the knife on you!" Guan Yiping did not loosen his grip one bit. Yan was shamed into anger, and aimed a violent thrust at Guan's abdomen with the knife. Guan, though in great pain, still did not release Yan. When the other committee members arrived on the scene and wrested the knife from Yan's

REGIONAL

hand, chairman Guan collapsed in a pool of blood. His spirit of being unafraid to sacrifice his own interests for the sake of others won him the praise of many people.

Transforming and Dispelling Misgivings

One day in October 1988, as spades flew in the air at a cotton field of the 4th Agricultural Division's 126th Corps' 14th Company, shouts were heard from all directions: a fight had just broken out between armed groups of people. "Everyone stop and come to me!" a mighty voice rang out, and both sides of the armed combatants could not help but look on speechlessly. Standing on a canal embankment was company mediation committee head Yu Qingyun [0060 3237 0061], who had seen and heard the situation and rushed to the scene. Still gasping for breath, he said: "Put your weapons down! You are breaking the law. Those who injure or kill will be put in prison or pay with their life. All of you, get to work, pending an inquiry into who was stirring up trouble and who bears the full responsibility." The armed combatants of both sides angrily departed. It had all started when the wife of worker Zhang Mou [1728 2673] suspected that her husband was having illicit relations with a neighbor, Sun Mou [1327 2673]. In order to "settle the score with her husband," she gathered a group of relatives and, wielding shovels and clubs, they went to look for Sun Mou to square accounts. Sun Mou was also not one to take things lying down, and she gathered her own relatives and friends, who took up weapons and accepted the challenge. Fortunately, chairman Yu had arrived in a timely manner and put a stop to the clash. Chairman Yu explained that since the contracted plots of the Sun and Zhang families were linked, both sides had often helped each other or enjoyed a joke together when laboring: that was all. Zhang Mou's wife had more serious doubts, and suspected that her husband was having improper relations with Sun Mou. She often quarreled with Sun Mou, and the situation had finally developed [to the point] where they came to blows. Chairman Yu criticized the wife of Zhang Mou for suspecting others without grounds, which had nearly led to a frightful calamity, and warned Sun Mou that any future association of hers with Zhang Mou must not be unduly casual.

Clarifying and Judging Family Affairs in Accordance With the Law

Though the 1st Agricultural Division's 9th Corps' Engineering Company has had freedom in choosing spouses for young people for three years, it is possible for parents on the woman's side to flagrantly interfere, and on many occasions they have bound and beaten their own daughters. One daughter resolutely moved to the man's house to live for an extended period despite her parent's opposition, and had to break off relations with her parents. Her parents became more and more angry, and at one point burst into the man's house and seized and beat their daughter. The situation got more and more out of hand. After mediation committee member Hu Yijun [5170 5030 6511] learned what was happening, he rushed to the scene, pulled the sides apart, and spoke

solemnly, saying: "The daughter's right to choose her marriage partner is protected by law. You both raised her but now you are destroying her; is that not criminal?" At that moment the two parents realized their error, but after they had gone home and thought about this affair, their anger returned, and two days later they again wanted to go the husband's house and beat their daughter. When Hu learned of this, he again rushed to the scene to mediate. After 14 efforts at mediation, the parents finally realized their errors, and consented to the marriage. Now their daughter has married and given birth to an adorable grandson, and the young couple often go and visit the old parents.

Law Must Prevail Over Power in Contract Purchases

90CM0231B Urumqi XINJIANG RIBAO in Chinese
2 May 90 p 4

[Article by Zhang Weizhong (1728 5898 0022): "Power Must Not Replace Law"]

[Text] In recent years, many Xinjiang production and construction corps sites have promoted the agricultural contract responsibility system, and have met with excellent harvests. When combined with the hard work done in cultivation, contract households often still have a portion of surplus produce in hand after they have handed over sufficient produce based on the contract. The majority of people are able to see the big picture, and sell their produce to the corps site, but there are also a small number who do everything possible to get to a market and sell at a high price in order to make a personal profit. In order to prevent the outflow of produce, some unit organizers use a house-to-house search to forcibly carry out purchasing. It is easy to handle [the situation] when goods can be searched out. But when a household is searched and nothing is found, the household immediately brings up Article 39 of the Constitution, and [the searchers] are tongue-tied. It is possible that these officials will sometimes not let a matter drop, and if one plan will not do then another is made. They may drop in to see people who have been searched, enter a shopfront wearing a smile, with both hands behind their back, let those who are being searched open boxes and cabinets themselves to let them see, and call it by the high-sounding name of "moving one's eyes but not one's hands." It seems as though this is done to avoid the suspicion of an "illegal search, and illegal entry into residences." They take great delight in talking about this and calling it "a brilliant idea," though people don't know whether to laugh or cry.

According to national policy forbidding the purchasing of outflow produce, this practice is beyond reproach. With regard to the surplus produce of contract households, most units have adopted methods of persuasion and education, writing clauses into contracts and purchasing produce at prices higher than the purchase price, in order to better purchase a large portion of the produce. It is thus evident that only by properly handling

ideological and political work and clearly explaining principles will the workers and masses be reasonable in this matter. Of course, a very small number of "households that go against the grain" and that have stronger selfish motives could emerge. For this kind of people it is only possible to adopt legally permissible means and methods, such as administrative and economic ones, while being sure not to stand the law on its head or unscrupulously stir up trouble.

The fifth article of China's constitution expressly states that "no organization or individual can have special powers that overstep the constitution and the law." Why then are there still a small number of people who engage in activity that clearly violates the constitution and is an abuse of power? This is in fact due to the expansion of the wills of senior officials, with the result that power replaces law.

Xinjiang Public Security Responds to Complaints
90CM0231C Urumqi XINJIANG RIBAO in Chinese
2 May 90 p 4

[Article attributed to the Public Security Office: "Treating Seriously the Letters People Send in and the Complaints They Make When They Call"]

[Text] Urumqi—All levels of the grievance departments of the autonomous region's public security organs are dealing seriously with the letters people send in and the complaints they make when they visit, and building closer ties with peoples of all nationalities. Last year, a total of more than 14,000 letters (visits) were received and handled by these organs, and the departments of the central authorities and party and government organs of the autonomous region handled 59 grievance cases, supplied more than 1000 case-solving clues to business departments, assisted in cracking more than 200 types of criminal cases, and assembled more than 60 misjudged cases.

Leading comrades at all levels of the public security organs personally read over and comment on letters sent by the people, receive visits from the people, and are raising the rate of investigation and settlement and the quality of case handling. In 1987 Su Tingyun [5685 1694 0061], a young peasant from Gansu province's Jishishan County, was cut and injured by someone in Fuyun County; the assailant got away. Su went to visit the Public Security Office of the autonomous region, where the main officials received him. Later on, on two occasions the Altay Public Security Organs sent someone into the interior to pursue and capture the assailant, and at last the criminal fell into the net of justice.

Aksu City peasant Maimai Timutizi [6314 6314 2251 2606 2251 1320] also made an appeal to public security organs. It seems that he had been punished by public security for gambling in 1982 and had turned over a new leaf when in 1987 he was again sentenced to reeducation for a period of two years. On two occasions Aksu Public Security Office grievance cadres went to the reform-through-labor camp to find him and get an understanding of the situation. They also examined and read over the case file, and discovered that because of the carelessness of the personnel handling the case, a problem that had already been dealt with had been erroneously treated as active gambling, and they had carried on handling it. This was immediately reported to upper level organs and corrected.

Grievance personnel adhere to the goal of serving the people when confronted by numerous grievance letters and visits by the masses, and try to handle as many cases as possible. The local Altay and Kuytun Public Security cadres and People's Police have found lost relatives and friends for people on many occasions; two female grievance cadres in the Urumqi Public Security office also rescued a baby which had been abducted. Last year in the autonomous region, public security organs at all levels mediated disputes for people, supplied legal advice, educated delinquent children, and helped the old, weak, sick, and disabled to overcome difficulties on more than 1300 occasions.

Group Formed To Facilitate Jiangsu-Taiwan Contacts

OW0807233990 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 30 Jun 90

[From the "News" program]

[Text] The Jiangsu association for promoting friendship among countrymen who have family members in Taiwan was set up in Nanjing today.

Hong Fu, director of the Purple Gold Mountain Observatory, was elected president of the association. Yang Jinrong, chairman of the Lidang Power Company; Cheng Zhixiang, president of the Jiangnan University; and Zhang Louwu, chairman of the Nantong Municipal

Committee of the Chinese People's Political Consultative Committee, were elected vice chairmen of the association.

The association, a nongovernmental organization formed by people in Jiangsu who have family members in Taiwan, will serve as a bridge for the CPC and the government in establishing contact for the vast number of residents in Jiangsu who have family members in Taiwan, as well as for countrymen in Taiwan.

The association will display its patriotic spirit, and rally and guide all families of personnel in Taiwan throughout Jiangsu to work hard to develop their hometowns, build a prosperous Jiangsu, revitalize China, and promote the peaceful reunification of the motherland.

Finance Minister Outlines Two-Year Reform Plan

90CE0280A Taipei *CHING CHI JIH PAO* in Chinese
3 Jun 90 p 1

[Article by reporters Cheng Wen-chu (6774 2429 3796), Yeh Hui-hsin (5509 1979 1800), and Ch'iu Chin-lan (6726 6855 5695): "Wang Chien-hsuan Announces Future Administrative Goals, To Promote Finance and Banking Reforms in Next Two Years"]

[Text] At his first meeting with reporters since assuming office, Finance Minister Wang Chien-hsuan [3769 1696 3551] said that in the next two years various finance and banking reforms, including perfecting the stock market's control of insider trading, dealing a powerful blow to tax evasion and loopholes so as to narrow the wide gap between rich and poor, studying and promoting a system of combining two taxes into one, accelerating the changeover to banks of trust companies and credit cooperatives, reducing the number of applicants to be New People's banks, and releasing at the appropriate time the shares of the three commercial banking companies in cooperation with other measures for "more interest" with long-term holding of the shares being encouraged.

At the meeting Minister Wang pointed out that the next two years will be a critical period for Taiwan. Looking at the present situation, the Legislative Committee is required to keep in step with the cabinet, and the Legislative Committee's term in office still has two and one-half years to go, with the last half year being devoted to preparations for the next election. Financial measures should strive for stability in order to avoid the creation of pointless difficulties. Therefore, the next two years will be the time for a "final dash" by the Ministry of Finance.

Minister Wang explained the rational concepts for future administration, as well as how there will be individual applications of the instruments of rent, taxes, and banking to attain financial objectives:

Control of negotiable securities:

—Encourage investors in the stock market to engage less in short-line speculation and more in long-term investment. Therefore, we are not considering a lowering of the rate of the securities exchange tax. The question of taxes on securities is indeed a serious matter, and we will explain it after study.

—In coordination with the relevant units, strengthen the investigation and arrests in cases of stock market insider trading, and turn them over the courts, enforcing the law on the ringleaders in order to get a deterrent effect.

—Open up the securities and capital business as well as the negotiable securities investment and trust business, and raise the proportion of stock market legal persons in order to stabilize the stock market.

—Provide effective advice on the stock market, and, in coordination with the Accountants Union and the Ministry of Economic Affairs, see that that the account books of companies going on the stock market are more accurate.

Financial Operations:

—A bank being established or going insolvent has a great effect on ordinary productive undertakings. Therefore, the Ministry of Finance will strictly examine and verify the establishment of new banks.

—Trust and investment companies are being changed into commercial banks, and credit cooperatives will be reorganized into regional commercial banks; the merger of our country's banks will be encouraged in order to resist the forming of branch banks by foreign commercial banks, and to avoid in the future the domestic financial market from falling into the hands of foreign commercial banks.

—Banking departments will be changed to banking offices or banking control bureaus. In cooperation and division of work with the Central Bank examiners and other bank examiners, the training of bank examiners will be strengthened so as to suit the opening up and establishment of banks.

—Laws for public banks will be vigorously drawn up.

—Legally "putting above ground" the futures companies will be promoted.

National Treasury:

—At the appropriate moment, shares in the three commercial banking companies will be sold in coordination with measures for more interest. The ministry is rather inclined, similar to the Central Steel pattern, to take measures that encourage long-term holding, supplemented with other measures for more interest, in order to avoid causing too great a shock to stock market quotations.

—Government bonds must be issued to an appropriate degree, because it is a sound practice to issue government bonds for public construction projects.

—Together with the main planning office of the executive yuan and other units, the ministry will study how to solve financial problems between the center and the localities.

Taxes:

—The ministry will tend toward putting in practice the "merging of two taxes into one" of Singapore's entire tax deduction system, in order to avoid completely the levying of duplicate taxes on profits and income.

—Under circumstances in which there are ample finances, the ministry will as much as possible lessen the burden of the land tax and other taxes on salaried income.

—At present there is the appropriate practice of separately counting the incomes of a husband and wife, and their remaining income is not taken into account. For example, rental income is handled according to this procedure.

—Tax exemption provisions will be reviewed and discussed, including the exemption from taxation of the salaries of elementary and middle school teachers.

Investigation of the levying of taxes will be strengthened in order to prevent tax evasion and loopholes.

—The tax administration will be reformed, including rectification of tax discipline and the strengthening of specialized training for tax collectors. There will be an improvement in remuneration, workload, work environment, and welfare benefits. There will also be an improvement in the organizational structure, for example, the formation of national tax bureaus in the northern, central, and southern regions.

Basic Law Delimits 'One Country, Two Systems'

*90CM0133A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 16, 16 Apr 90
pp 26-27*

[Article by Wu Jianfan (0702 1696 3879): "Fundamental Norms in the Relationship Between the Central Government of China and the Hong Kong Special Administrative Region"]

[Text] One special chapter, Chapter 2, of the Basic Law for the Hong Kong Special Administrative Region [SAR] stipulates what the relationship between the Hong Kong SAR and the central government of China will be. This chapter provides for the legal status of the Hong Kong SAR, the functions and powers the Standing Committee of the National People's Congress and central people's government will exercise with respect to the Hong Kong SAR, and the various powers of self-government and related matters the Hong Kong SAR will enjoy. However, we must note that the provisions regarding the relationship between the central government of China and the Hong Kong SAR are not limited to Chapter 2. Other chapters and sections also contain numerous provisions on various points, some of which are extremely important. For example, Article 2 of the general principles contained in Chapter 1 wherein the National People's Congress authorizes the Hong Kong SAR to exercise a high degree of self-government in accordance with the Basic Law and to enjoy the powers of administrative management, legislation, an independent judiciary, and the power to render final judgments is extremely important, as are Section 2 of Article 43 contained in Chapter 4 (concerning the political system), which deals with the responsibility of administrative officials to the central people's government; Item 9 of Article 73, which deals with requests of the legislature to the central people's government to impeach officials; Article 158 of Chapter 8, which deals with the authority to interpret the Basic Law; and Article 159, which deals with the power to revise the Basic Law.

According to Article 12 of the Basic Law, the Hong Kong SAR is a local administrative territory of the People's Republic of China, directly under the jurisdiction of the central people's government, that enjoys a high degree of autonomy. As a local administrative territory, it is hierarchically equivalent to a province, an autonomous region, or a municipality directly under the central government. Similarly, the relationship between the central government and the Hong Kong SAR is a central-local relationship like that existing between the central government and the provinces, autonomous regions, and municipalities directly under the central government. What is different is that the Hong Kong SAR will operate under "one country, two systems" and will enjoy a high degree of autonomy to carry this out. Thus, the scope of powers and functions and the mutual relationship between the central government and the Hong Kong SAR will contain unique features not found in the usual framework of central government-locality relationships.

One could say that it will be an exceptional central-local relationship. However, regardless of the peculiarities in the relationship, the fact remains that it is a central-local relationship. Some people see the high degree of autonomy that the Hong Kong SAR will enjoy in certain areas as reflecting an even higher degree of power than that enjoyed by the regional units in a nation operating under a federal system. Of course, it is a mistake to view the Hong Kong SAR as some kind of independent self-governing entity, or to see the relationship between the central government and the Hong Kong SAR as a relationship between a regional unit of a nation operating under a federal system or even as one between a metropolitan state and its protectorate.

The provisions of the Basic Law concerning the relationship between the central government and the Hong Kong SAR correctly carry out the policy of "one country, two systems." That is, they both fully embody national unity and sovereignty, and they fully guarantee a high degree of self-government for the Hong Kong SAR which will enable it to continue to maintain its original capitalist system and lifestyle.

Article 1 of the Basic Law provides: "The Hong Kong SAR is an inseparable part of the People's Republic of China." This is a powerful assurance of national unity.

According to Basic Law provisions, the authority that the central government will exercise over the Hong Kong SAR is embodied primarily in the following points:

1. It will be responsible for managing the foreign affairs of the Hong Kong SAR (Section 1 of Article 13).
2. It will be responsible for managing the defense of the Hong Kong SAR (Section 1 of Article 14).
3. It will appoint the administrative officials and main officers for administrative organs in the Hong Kong SAR (Article 15).
4. It will oversee whether the laws formulated by the legislative organ of the Hong Kong SAR agree with the Basic Law as it pertains to the affairs to be managed by the central government and the provisions concerning the relationship between the central government and the Hong Kong SAR (Section 3 of Article 17).
5. It will decide which of the laws applicable to the nation as a whole will be put into effect in the Hong Kong SAR (Section 3 of Article 18).
6. It will decide if and when the Hong Kong SAR will be placed under a state of emergency (Section 4 of Article 18).
7. It will have the authority to interpret the Basic Law (Section 1 of Article 158).
8. It will have the authority to revise the Basic Law (Section 1 of Article 159).

HONG KONG, MACAO

In order to give full effect to the spirit of "one country, two systems," the Basic Law stipulates a series of provisions and limitations on the central government's exercise of the foregoing powers, subject to the caveat that the sovereignty of the nation is not harmed. For example, central government oversight of the laws formulated by the legislative organ of the Hong Kong SAR is limited to those laws which do not accord with the Basic Law provisions as they pertain to the central government. The central government will have nothing to say about inconsistent laws if they do not involve the central government. Another example is how the Basic Law limits the applicability of China's national laws to defense, foreign affairs, and laws which fall outside of the scope of the self-government permitted the Hong Kong SAR in the Basic Law. And, of course, this limits the power of the central government to decide which of China's national laws will be effective in the Hong Kong SAR. The Basic Law provides that the Standing Committee of the National People's Congress can place the Hong Kong SAR in a state of emergency under only two kinds of situations: First, when a foreign war is declared; and second, when a disturbance occurs in the Hong Kong SAR that the Hong Kong SAR government is incapable of controlling, when said disturbance imperils the unity and safety of the nation. Section 1 of Article 158 of the Basic Law, after providing that the Standing Committee of the National People's Congress has the power to interpret the Basic Law, goes on, in Section 2 of the same article, to authorize the courts of the Hong Kong SAR, when trying cases, to provide their own interpretations of the Basic Law provisions that are within the scope delineated as areas for which the Hong Kong SAR may govern itself. And in Section 3 of the same article it goes on to provide that the courts of the Hong Kong SAR, when trying cases, are authorized to interpret other provisions of the Basic Law. Looking at Sections 2 and 3 together, we see that the courts of the Hong Kong SAR, when trying cases, are authorized to interpret all of the provisions of the Basic Law. The only limitation on this is, if, in trying a case, the court needs to interpret a provision of the Basic Law that pertains to either a matter that lies within the management of the central people's government or the relationship between the central government and the Hong Kong SAR, then, prior to rendering a final, unappealable judgment, the Supreme Court of the Hong Kong SAR should ask the Standing Committee of the National People's Congress for an interpretation of the provision in question. From the aforementioned examples we can see that all of the powers exercised by the central government over the Hong Kong SAR are ones necessary to give expression to national sovereignty. And the provisions of the Basic Law concerning these powers makes all the necessary allowances that will enable the Hong Kong SAR to exercise a high degree of self-government.

When raising the issue of giving expression to national sovereignty, we must also point out the important significance of Article 23 of the Basic Law. That article places upon the Hong Kong SAR the responsibility for

creating legislation that prohibits any sort of activities that betray the nation, tend toward separatism, incite rebellion, subvert the central people's government, or steal state secrets; that prohibits foreign political organizations or groups from carrying on political activities in the Hong Kong SAR; and that prohibits political organizations or groups from the Hong Kong SAR from establishing connections with foreign political organizations or groups. The criminal behavior and illegal activities mentioned in Article 23 are things that no nation permits. And Hong Kong now has laws prohibiting the very behavior and activities mentioned above. When we consider, in this regard, the inapplicability of China's national laws in the Hong Kong SAR, we see how vital it is that the Hong Kong SAR itself legislate to prohibit these kinds of behavior and activity.

According to the provisions of the Basic Law, the following points can be made with respect to the high degree of autonomy that the Hong Kong SAR will enjoy:

1. It will enjoy the power of administrative management (Article 16).
2. It will enjoy the power of legislation (Section 1 of Article 17).
3. It will enjoy the power of an independent judiciary and the power to render final judgment (Section 1 of Article 19).

In addition, the central people's government has conferred authority on the Hong Kong SAR to handle certain matters of a foreign nature that are consistent with the provisions of the Basic Law (Section 3 of Article 13).

Consistent with the provisions of the Basic Law, the Hong Kong SAR has the power itself to handle local administrative matters, including those that pertain to finance and economics, industry and trade, transportation and shipping, land and natural resources, education, science and technology, culture and sports, social order, and arrivals and departures from the region. Because the Basic Law confers certain powers on the Hong Kong SAR that are not ordinarily possessed by a locality (powers such as the right to maintain its financial independence, the right to not hand over revenues to the central government, the right to not have the central government collect taxes from the SAR, the right to formulate its own policies pertaining to currency and finances, and the right to issue its own currency, among others), the powers of administrative management that it enjoys greatly exceed those of an ordinary locality.

The Basic Law confers on the Hong Kong SAR the power of an independent judiciary and the right to render final judgments. The customary practice throughout the world is to vest the power of final judgment in the highest court of the central government. Here, the power of final judgment is given to the Hong Kong SAR in

order to carry out the policy of "one country, two systems" and so that it may keep its original legal and judicial systems.

The Basic Law confers on the Hong Kong SAR considerably broad powers with respect to foreign activities in areas such as economics, trade, finance, shipping, communications, travel, culture, and sports.

The Basic Law also gives consideration to the possibility that in the future the Hong Kong SAR will need new grants of powers as a result of changed conditions, and thus, specially provides that: "The Hong Kong SAR may enjoy any other power conferred on it by the National People's Congress, the Standing Committee of the National People's Congress, and the central people's government" (Article 20).

In order to ensure that the high degree of autonomy enjoyed by the Hong Kong SAR is not encroached upon, the Basic Law also stipulates that defense troops stationed in the Hong Kong SAR shall not meddle in local affairs (Section 3 of Article 14), and that the various departments, provinces, autonomous regions, and municipalities subordinate to the central government shall not meddle in matters, the management of which has been entrusted by the Basic Law to the self-execution of the Hong Kong SAR (Section 1 of Article 22).

And in addition, the Basic Law also provides that troops stationed in the Hong Kong SAR and the organizations and workers of the various central government departments, the provinces, the autonomous regions, and the directly subordinate municipalities all shall abide by the laws of the Hong Kong SAR.

Impact of 1991 Direct Election on District Politics

90CM0223B Hong Kong MING PAO in Chinese 9 May 90 p 47

[Article by "a political man": "The 1991 Direct Elections and Local Politics"]

[Text] According to a public announcement by the government of Hong Kong, the 1991 Legislative Council elections will be contended in a total of nine electoral districts, with each district having two seats. On the whole, the division of the electoral districts will be based on population and district locales. Most of the nine existing electoral districts are geographically linked, with an average of 600,000 people, and though many others believe that these medium-sized electoral districts will largely be able to avoid giving rise to larger political contradictions, the author believes that the 1991 legislative elections will have an extremely profound and far reaching significance for the transformation of district politics.

According to the experience of the last two district legislative assembly elections, links between those who were elected and the district were the most important factors. The current size of the electoral districts means

that each person elected to the Legislative Council will have to deal with 600,000 to 700,000 people. To obtain the support of so many people, one will have to first be elected to the district legislative assembly, and especially must obtain the support of district assembly members and district resident organizations. It can be predicted that each district assembly will become a place where anyone seeking election to the Legislative Council will have to struggle. Each district's subdistrict and mutual-help committees, whose major goal is to "improve public security, living conditions, and management effectiveness within a big building," and legal organizations for accrediting owners will become targets of competition. Although district assemblies, subdistrict mutual-help committees, and resident organizations are considered the three pillars of local support, they only play a consultative role, and primarily promote local affairs. The contest for the Legislative Council could politicize them within a short period of time, and in the days to come [the contest] could have the effect of turning [them] away from social affairs.

New Associations Contend Among Themselves

Even more worthy of attention is the fact that most of the nine current Legislative Council electoral districts include the electoral districts of two district assemblies. This legislative distribution could lead to a diffusion of the scope and influence of local politics. For example, if an assemblyman from a midwestern district wants to go for higher office in the Legislative Council on the west of Hong Kong island, he not only has to obtain the support of the midwestern district assembly and electorate, but he also must obtain the support of the southern district [as published]. Also, district influence and political factors could cause the Legislative Council election to be influenced by emotional factors. Finally, candidates could emerge who would have to press for cooperation and new associations for different interest groups of different districts. Naturally these groups making new associations would struggle back and forth before the election, and after the elections they could also contend with each other. Furthermore, these cross-district associations could have a quite consistent view of some political policies that effect Hong Kong as a whole, and could exert pressure on the government in order to strengthen the electorate's view of them. Currently, legislative members at all levels in the three major factions of the democratic groups (the Meeting Point, the Hong Kong Affairs Society, and the Association for Democracy and People's Livelihood) frequently promote joint action for some policies that effect Hong Kong as a whole. It is possible that after the 1991 elections for the Legislative Council, such joint action will be even more common, and the Hong Kong United Democratic Alliance, and the Hong Kong Association to Promote Democracy, and even the Hong Kong Freedom and Democracy Union all could expend effort in launching these collective actions. In other words, the

1991 Legislative Council elections could both exacerbate local political antagonisms and also bring together local strengths.

Moreover, the three elections of 1991 are distinguished by having three different time periods for holding the elections: the district assembly elections are in March, city government elections are in May, and the Legislative Council elections are in September. For the government, the different election times gives it ample time to prepare [for elections]. It is better for the participating political groups and the candidates at all legislative levels in terms of their being able to handle the elections. There is the extreme likelihood that city government bureau legislative members who are willing to make a bid for a Legislative Council [seat], could give up their city government seats in exchange for the support of figures aspiring to the city government bureaus. Similarly, district assemblymen wishing to "rise a level" could also give up their district assembly seats. The three different election months give candidates at all levels time to work to "grab a seat." After the elections, these assemblymen, all with political experience, can form alliances or so-called "assembly parties" and in the future lay the groundwork for the development of political party politics.

Predicting the Effects of the 1991 Direction Elections

In view of the above, we can predict that the 1991 Legislative Council elections will certainly have a considerable impact on district political strength and district assembly politics. The following points are by way of a summary.

1. The 1991 Legislative Council elections will further mobilize district strength, and every person or organization participating in the election will do their utmost in striving for the district assemblies. The three pillars of local support, from the subdistrict committee down to the mutual-help committees and legal-owner accrediting organizations, could deteriorate and experience undue politicization for this reason.

2. In order to obtain the support of an entire electoral district, those willing to enter the Legislative Council must establish their strength and struggle for support within other electoral districts; in other words, [they must win] the support of different interest groups of different district assemblies in different areas, and for this reason may mutually close ranks while associations may change. Moreover, due to the tests of strength between various political forces before and after elections, local antagonisms will become even more diametrically opposed.

3. Because the assemblymen who form alliances because of the elections will be from different areas and different legislative levels, they could put forward more consistent opinions concerning some policies that effect Hong Kong as a whole. There will then be more opportunities for basic-level alliances and local-level assemblies to participate in drafting such policies. Also, because direct

elections for the Legislative Council cut across lines, members of the legislature must be responsible to the electorate, and some contentious issues could be moved to the highest legislative organ of Hong Kong for discussion.

In summary, though the three local pillars, especially the district assemblies, will maintain their consultative role in the 1991 elections, because all strategists for the Legislative Council elections will contest for district forces and district assemblies, district strength will undergo a major degree of change, and the substantive position of district assemblies after the 1991 elections will be enhanced. We will wait and see.

Confusion, Helplessness Mark Residents' Feelings

90CM0223A Hong Kong MING PAO in Chinese
2 May 90 p 25

[Article by Chou Yong-Hsin (0719 3057 2450), senior lecturer in Hong Kong University's Department of Social Work: entitled: "Hong Kong People Feel Perplexed and With Little Choice"]

[Text] This month, the people of Hong Kong have been feeling more and more perplexed and helpless. The first cause for this is a political one, as the government has put forward a bill to safeguard human rights as well as a bill for British right of abode. Many ordinary residents do not understand what human rights are, nor do they know why it is necessary to have legislation protecting human rights at this time. Yet the government, even though it wishes to legislate consideration for their rights, does not have a reason for refusing these rights. The great majority of city residents are only looking on from the sidelines at the right-of-abode bill, because only some 50,000 households are affected by the bill. For the most part they themselves do not have the qualifications, and moreover, the idea of moving to Britain has little appeal for them. And although the government believes that the right-of-abode bill will be able to calm people and reduce the number of people leaving, ordinary citizens for the moment are taking a wait-and-see attitude.

Whether or not the protection of human rights and the provision of British citizenship to a portion of Hong Kong residents will be able to stabilize the political situation in Hong Kong is itself a very questionable proposition. However, after these two bills were put forward, the Chinese side raised strong opposition, saying that the British had failed to notify China before the bills were proposed. China had just published the Basic Law, and by giving the human rights law such an important position at this time, the government of Hong Kong found it difficult to avoid making China feel it was losing face. As for the right-of-abode law, the Chinese side considers this to be a plot for "British people to rule Hong Kong," which drags in the question of Chinese sovereignty. How could Chinese sensibilities not be inflamed by this?

No matter who is on firmer ground in this Sino-British wrangling, the city's people look on. One day the Hong Kong City superintendent comes out and says that the right-of-abode law demonstrates Britain's genuine concern for Hong Kong, and the next day Ji Pengfei [1213 7720 7378], his face contorted with anger, says that Britain's actions run counter to the Joint Declaration, and [Britain] has forgotten its own solemn promise. What is in fact happening, is that the city residents are confused by the situation, and only know that China and Britain are at odds, while even more of a "chill" has been put on Hong Kong's future. Although there is a human rights law and the right of abode, this cannot save Hong Kong.

Is the Government Slowly Losing Its Ability To Govern?

The political perplexity that has settled over Hong Kong like a dark cloud has been heightened by the emergence in recent days of worker protests, giving city residents the feeling that the government is gradually losing its ability to govern. City residents do not understand why the firefighter's rotation system, which has existed for quite some time, now requires them to work 48 hours every week. They are suddenly asking why a large portion of public servants all seem to want to settle accounts with the government: The Immigration Office director believes that the treatment of his workers should match that of other discipline units. City government office personnel claim that their work situation has not improved, and they will take action to find employment elsewhere. In addition, there are public workers below the senior ranks, who are strongly dissatisfied with the ability of senior levels to make additional income.

Why do public servants feel "like caged birds?" Of course, foreigners have no way of understanding this, they can only sense that the morale of public servants has taken a steep drop. And there have been leaks that the number of staff members joining the Police Office and Rehabilitation Office is probably unlikely exceed the number [of members] who have not yet completed training, while some departments with close ties to city residents, such as the Public Welfare Office, have already been troubled by serious personnel shortages. In addition, workers and staff at the Hong Kong Television Station and Public Health Office all claim that they have not received retirement pay; there is no way these offices can be transformed into a new broadcasting department and health management department. City residents cannot understand why public servants must grab bigger salaries; they only perceive that public servants already unintentionally seek confrontation, and are pressing to earn money and then get out.

A crisis has emerged within the government, and many things in the overall situation of the society are not being dealt with. In the last few months, there has been a rash of armed robberies, and the weapons used by gangsters against policemen are becoming even more deadly. What is making city residents even more worried is that many

of the gangsters have entered [Hong Kong] illegally. They arrive in Hong Kong and "form a world of their own," and it is difficult for the police to arrest them. Hong Kong is a small area, crowded with people, and city's residents are already depressed and terribly upset by the political situation. Add to this the daily deterioration of public security, and Hong Kong is no longer a cozy nest.

After the Department of Public Finance issued its budget plan, it seemed that Hong Kong was on the verge of a wave of price increases. The government is increasing taxes and increasing prices, and using the excuse that this is to be expected, although this year there is a sense that things seem to be particularly serious. Perhaps the rose garden project frightened city residents; 120 billion is not a small number, and what city residents fear is that the government will still increase tax revenues by a large degree after this year, because later on things will be worse. Some organizations are adding fuel to the fire by describing the government as being disastrous for the poor and beneficial to the rich, and [making] city residents feel even more like an exploited group of people.

Many Controversies Make Distinguishing Right and Wrong Difficult

City residents are more and more bewildered as to what the government should do to calm people down somewhat. On the one hand, some organizations and members of the Legislative Council have demanded that the government subsidize preschool education, put a major effort into developing welfare services, and vigorously oppose increases in hospital expenses by a future Health Management Department. On the other hand, there is a belief that the government should keep expenditures within the limits of income, limit the number of public servants, and refrain from raising taxes to the best of its ability. City residents understand that without increasing sources of public finance, the government will have no way to improve services, but some members of the Legislative Council and [other] organizations still demand that the government perform this highly difficult maneuver.

In short, whether one is talking about the political controversies or the discussions of democracy concerning events of the last several months in Hong Kong, everything is not what it seems and there is no black and white. The Chinese and British governments each make statements, and the people ask their organizations, but very often what is said does not prove to be correct. For example, some figures have criticized the government for taking the initiative and raising prices, saying this will stimulate inflation. On the other hand, they believe that a 15-percent increase in the wages of public servants is not equitable, and propose an increase of 17 percent. If public servants really get a 17-percent pay hike, the belief is that the government must also increase tax revenue: wouldn't this in fact stimulate inflation? If these figures truly intend to help city residents, they should propose a 10-percent wage increase for public servants. If this were

done, the government would not have to use an increased gasoline tax and inflation would not run rampant.

When it comes to the various controversies, city residents really have no way of distinguishing who is right and who is wrong. All they know is that Hong Kong is more and more different from what it seems.

Mainland Reduces Stake in Airport Project

HK2806034490 Hong Kong *SOUTH CHINA MORNING POST (BUSINESS POST)* in English
28 Jun 90 p 1

[Text] China has substantially cut its stake in Macao's airport now under construction because of a shortage of foreign exchange, forcing the Macao Government to look for new partners in the project.

Macao's Under-Secretary for Transport and Public Works, Mr Luis Vasconcelos, yesterday said he believed the Macao International Airport Co would reach agreement with new partners early next month, but declined to disclose their identities.

The company is equally owned by the Macao Government, casino magnate Stanley Ho's Macao Tourism and Amusement Co (STDM) and the China-backed China Union Industrial Corp (Chongluen), each contributing 500 million patacas to the company's registered capital of 1.5 billion patacas.

Chongluen recently sent a letter to Mr Vasconcelos, formerly Under-Secretary for Major Projects (responsible for the airport, deep-water port and the second Macao-Taipa bridge project), suggesting that the company's stake in the project be reduced.

The letter reportedly asked for a freeze of the company's stake in the airport project from the proposed 500 million patacas to the present paid-up level of 130 million patacas, or a drop from 33.33 percent to 8.66 percent.

Informed sources said Chongluen decided to reduce its participation in the airport project on the instructions of Beijing because of a foreign exchange shortage after the June 4 crackdown last year.

Chongluen's problem is symbolised by the absence of its general manager, Mr Ming Xiaoguang, who is also chairman and managing director of China Construction Engineering (Macao) Co, president of Hong Kong-listed Rivera Group and several major Macao companies.

It is believed Mr Ming returned to Beijing with his wife about three weeks ago.

An official of China Construction Engineering said he heard that Mr Ming had returned to Beijing for medical treatment.

Unconfirmed reports said Mr Ming, who was in Macao for only a year, was called back to China to attend a

seminar for senior cadres posted overseas and would be scrutinised before being allowed out of the country again.

Chongluen is a joint venture of 10 Chinese companies in the enclave, including Macao-zhuhai Development, Nam Kwong Group, Nan Tung Investment, Nan Yue Group, China Construction Engineering, Chong Fok Technical Services, China Harbours Engineering, Zhen Hwa Harbour Construction, Nam Fong Construction and Real Estate, and China Insurance.

PRC Wants Control of Airport Contracts

HK0307024190 Hong Kong *SOUTH CHINA MORNING POST (BUSINESS POST)* in English
3 Jul 90 p 4

[Text] China has held off approving Hong Kong's new port and airport project because it wants to control the awarding of contracts, according to a political consultant.

"China is unwilling to allow the British or Hong Kong governments to award the contracts independently, partly because of its experience over the Tamar contract," said Mr Bob Broadfoot, managing director of the Political and Economic Risk Consultancy.

The \$300 million contract for the replacement of the Tamar naval base was awarded without calling tenders to PSA International, the commercial successor to the (British) Property Services Agency.

The new base is due to be occupied by 1993, very close to handover, and without Beijing's approval—China strongly objected to the removal of Tamar—"the whole project looks extremely suspicious and vulnerable", according to Mr Broadfoot.

"China is certainly no more likely to trust the British and Hong Kong governments in projects over the \$100 billion mark than in those below."

Of the current stand-off over the Chek Lap Kok project, Mr Broadfoot said: "I think the Chinese are pushing for the Hong Kong Government to say, 'What are the conditions that would suit you?'"

Mr Broadfoot said the escalating controversy over the importation of labor into the territory, coupled with China's unemployment problem, weighed in favour of an alternative mainland site for the new airport.

"Provided there was efficient transportation from the site to Hong Kong, people could easily be convinced that it is in their interests to have the projects modified. For a start, one could ask: why wreck Lantau Island and put up with aircraft noise when it is probably better done across the border?"

Various private sector groups have called for consideration of Shenzhen as a replacement for Kai Tak, but the Government has until very recently spoken of the Chek

Lap Kok project as a plan which will go ahead come what may in the form first announced last year.

It has now admitted that Chinese support for the projects is vital to their success—essentially, banks would not fund a public works project stretching past 1997 unless it had China's blessing—and more data have been provided to the Chinese authorities.

But unlike the Government, China is bound neither to the Chek Lap Kok site nor to a 1992 deadline.

The combination of problems made the Government's 1992 deadline for a start to the main works in and around Chek Lap Kok look increasingly unlikely unless China was allowed a big role in running the projects, Mr Broadfoot said.

His consultancy recently predicted 1992-93 would mark the beginning of effective Chinese rule in the territory, with the airport negotiations providing the catalyst.

Senior management of international contracting companies have begun devoting more time to the Macao airport than the Chek Lap Kok project.

Mr Broadfoot said: "I have talked with foreign companies who have worked with Chinese companies on big projects in the past and the Chinese are being much more aggressive about Macao (although there have been funding problems caused by China's dearth of foreign currency). The foreign companies are saying Macao is more important for them to devote senior management time to."

China had learned valuable lessons from the construction of the Daya Bay nuclear plant, Mr Broadfoot said.

The lower borrowing costs and technology benefits which flowed from cooperating with foreign companies had proved worthwhile, while the antagonism stirred up in the local population was probably worth avoiding.

22161

166

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